

MANTECH INTERNATIONAL CORP  
Form 10-Q  
May 04, 2007  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

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**FORM 10-Q**

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(Mark One)

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

For the quarterly period ended March 31, 2007

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 000-49604

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**ManTech International Corporation**

(Exact name of registrant as specified in its charter)

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Delaware  
(State or other jurisdiction of

incorporation or organization)

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

(703) 218-6000

22-1852179  
(I.R.S. Employer

Identification No.)

22033  
(Zip Code)

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(Registrant's telephone number, including area code)

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  Yes  No

As of May 3, 2007, there were issued and outstanding 19,541,580 shares of our Class A Common Stock and 14,479,553 shares of our Class B Common Stock.

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**MANTECH INTERNATIONAL CORPORATION**

**FORM 10-Q**

**FOR THE QUARTER ENDED MARCH 31, 2007**

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**Table of Contents****PART I FINANCIAL INFORMATION****Item 1. Financial Statements**

**MANTECH INTERNATIONAL CORPORATION**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(Dollars in Thousands Except Per Share Amounts)

	(unaudited)	
	March 31, 2007	December 31, 2006
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 34,117	\$ 41,510
Receivables net	243,200	236,445
Prepaid expenses and other	13,254	13,581
Assets of operations held for sale		3,373
<b>Total Current Assets</b>	<b>290,571</b>	<b>294,909</b>
Property and equipment net	14,705	13,881
Goodwill	238,522	238,322
Other intangibles net	38,401	40,180
Employee supplemental savings plan assets	15,381	15,427
Other assets	10,466	10,533
<b>TOTAL ASSETS</b>	<b>\$ 608,046</b>	<b>\$ 613,252</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 56,957	\$ 72,125
Accrued salaries and related expenses	36,826	47,356
Deferred income taxes-current	31	140
Billings in excess of revenue earned	7,497	5,284
Liabilities of operations held for sale		1,815
<b>Total Current Liabilities</b>	<b>101,311</b>	<b>126,720</b>
Accrued retirement	16,393	16,750
Other long-term liabilities	3,931	3,302
Deferred income taxes non-current	9,265	7,464
<b>TOTAL LIABILITIES</b>	<b>130,900</b>	<b>154,236</b>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>STOCKHOLDERS EQUITY:</b>		
Common stock, Class A \$0.01 par value; 150,000,000 shares authorized; 19,734,353 and 19,020,181 shares issued at March 31, 2007 and December 31, 2006; 19,491,313 and 19,020,181 shares outstanding at March 31, 2007 and December 31, 2006, respectively	197	190

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Common stock, Class B \$0.01 par value; 50,000,000 shares authorized; 14,479,553 and 15,032,293 shares issued and outstanding at March 31, 2007 and December 31, 2006, respectively	145	150
Additional paid-in capital	277,526	263,409
Treasury stock, at cost	(9,114)	
Retained earnings	208,727	195,604
Accumulated other comprehensive loss	(118)	(120)
Unearned ESOP shares	(217)	(217)
Deferred compensation		640
Shares held in grantor trust		(640)
<b>TOTAL STOCKHOLDERS EQUITY</b>	<b>477,146</b>	<b>459,016</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS EQUITY</b>	<b>\$ 608,046</b>	<b>\$ 613,252</b>

See notes to condensed consolidated financial statements.

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**MANTECH INTERNATIONAL CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

(In Thousands Except Per Share Amounts)

	(unaudited)	
	Three months ended March 31,	
	2007	2006
<b>REVENUES</b>	\$ 294,285	\$ 275,306
Cost of services	246,903	227,807
General and administrative expenses	26,019	24,766
<b>OPERATING INCOME</b>	21,363	22,733
Interest (income) expense, net	(327)	792
Other (income) expense, net	(12)	79
<b>INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES</b>	21,702	21,862
Provision for income taxes	(8,334)	(8,592)
<b>INCOME FROM CONTINUING OPERATIONS</b>	13,368	13,270
(Loss) from operations of discontinued component, net of taxes	(458)	(1,135)
Gain on sale of discontinued operation, net of taxes (sold to Chairman and CEO)	338	
(Loss) from discontinued operations, net of taxes	(120)	(1,135)
<b>NET INCOME</b>	\$ 13,248	\$ 12,135
<b>BASIC EARNINGS (LOSS) PER SHARE:</b>		
<b>Class A common stock</b>		
Income from continuing operations	\$ 0.39	\$ 0.40
(Loss) from discontinued operations, net of taxes		(0.03)
<b>Class A basic earnings per share</b>	\$ 0.39	\$ 0.37
Weighted average common shares outstanding	19,306	18,053
<b>Class B common stock</b>		
Income from continuing operations	\$ 0.39	\$ 0.40
(Loss) from discontinued operations, net of taxes		(0.03)
<b>Class B basic earnings per share</b>	\$ 0.39	\$ 0.37
Weighted average common shares outstanding	14,570	15,065
<b>DILUTED EARNINGS (LOSS) PER SHARE:</b>		
<b>Class A common stock</b>		
Income from continuing operations	\$ 0.39	\$ 0.39
(Loss) from discontinued operations, net of taxes		(0.03)
<b>Class A diluted earnings per share</b>	\$ 0.39	\$ 0.36

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Weighted average common shares outstanding	19,771	18,463
<b>Class B common stock</b>		
Income from continuing operations	\$ 0.39	\$ 0.39
(Loss) from discontinued operations, net of taxes		(0.03)
<b>Class B diluted earnings per share</b>	<b>\$ 0.39</b>	<b>\$ 0.36</b>
Weighted average common shares outstanding	14,570	15,065

See notes to condensed consolidated financial statements.

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**MANTECH INTERNATIONAL CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(Dollars in Thousands)

	(unaudited)	
	Three months ended March 31,	
	2007	2006
<b>NET INCOME</b>	\$ 13,248	\$ 12,135
<b>OTHER COMPREHENSIVE INCOME:</b>		
Translation adjustments	2	10
<b>Total other comprehensive income</b>	<b>2</b>	<b>10</b>
<b>COMPREHENSIVE INCOME</b>	<b>\$ 13,250</b>	<b>\$ 12,145</b>

See notes to condensed consolidated financial statements.



**Table of Contents****MANTECH INTERNATIONAL CORPORATION****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Dollars in Thousands)

	(unaudited)	
	Three months ended March 31,	
	2007	2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 13,248	\$ 12,135
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss from discontinued operation, net of tax	458	1,135
Gain on sale of discontinued operation, net of tax	(338)	
Unrealized loss on warrants	35	
Stock-based compensation	1,569	1,240
Tax benefits from exercise of stock options	79	395
Deferred income taxes	(2,161)	(558)
Depreciation and amortization	2,591	2,321
Change in assets and liabilities net of effects from acquired and disposed businesses:		
Receivables-net	(6,755)	(24,676)
Prepaid expenses and other	4,180	(876)
Accounts payable and accrued expenses	(15,168)	2,486
Accrued salaries and related expenses	(10,530)	(4,662)
Billings in excess of revenue earned	2,213	264
Accrued retirement	(357)	865
Other	736	411
<b>Net cash flow from operating activities of continuing operations</b>	<b>(10,200)</b>	<b>(9,520)</b>
<b>Net cash flow from discontinued operations</b>	<b>(1,562)</b>	<b>(1,967)</b>
<b>Net cash flow from operating activities</b>	<b>(11,762)</b>	<b>(11,487)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	(1,224)	(1,433)
Investment in capitalized software for internal use	(764)	(370)
<b>Net investing cash flow from continuing operations</b>	<b>(1,988)</b>	<b>(1,803)</b>
<b>Net investing cash flow from discontinued operations</b>	<b>3,000</b>	
<b>Net cash flow from investing activities</b>	<b>1,012</b>	<b>(1,803)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from exercise of stock options	3,385	2,416
Excess tax benefits from the exercise of stock options	505	545
Excess tax benefit from distribution of shares held in grantor trust	8,581	
Treasury stock acquired	(9,114)	
Net increase in borrowing under lines of credit		9,500
Repayment of notes payable		(38)
<b>Net cash flow from financing activities</b>	<b>3,357</b>	<b>12,423</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(7,393)</b>	<b>(867)</b>

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<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	41,510	5,678
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	\$ 34,117	\$ 4,811
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Cash paid for income taxes	\$ 1,217	\$ 2,894
Cash paid for interest	\$ 79	\$ 942
Noncash financing activities:		
ESOP Contributions	\$	\$ 288

See notes to condensed consolidated financial statements.

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**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**March 31, 2007**

**UNAUDITED**

**1. Introduction and Overview**

ManTech International Corporation (depending on the circumstances, ManTech Company we our ours or us ) is a leading provider of information 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 federal government agencies. Our expertise includes systems engineering, systems integration, software development, enterprise security architecture, information assurance, intelligence operations support, network and critical infrastructure protection, information technology, communications integration and engineering support. With nearly 5,600 qualified employees, we operate in the United States and over 40 countries worldwide.

**2. Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and note disclosures normally included in the annual financial statements, prepared in accordance with accounting principles generally accepted in the United States of America, have been condensed or omitted pursuant to those rules and regulations. We recommend that you read these unaudited condensed consolidated financial statements in conjunction with the consolidated financial statements and related notes included in our annual report on Form 10-K for the fiscal year ended December 31, 2006, previously filed with the SEC. We believe that the unaudited condensed consolidated financial statements in this Form 10-Q reflect all adjustments that are necessary to fairly present the financial position, results of operations and cash flows for the interim periods. The results of operations for such interim periods are not necessarily indicative of the results that can be expected for the full year. Certain reclassifications have been made to previously reported balances to conform to the current period presentation.

**3. Earnings Per Share**

In SFAS No. 128, *Earnings Per Share (as amended)*, the two-class method is an earnings allocation formula that determines earnings per share for each class of common stock according to dividends declared (or accumulated) and participation rights in undistributed earnings. Under that method, basic and diluted earnings per share data are presented for each class of common stock.

In applying the two-class method, we determined that undistributed earnings should be allocated equally on a per share basis between Class A and Class B Common Stock. Under the Company's Certificate of Incorporation, the holders of the Common Stock shall be entitled to participate ratably, on a share-for-share basis as if all shares of Common Stock were of a single class, in such dividends, as may be declared by the Board of Directors from time to time.

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Basic earnings per share has been computed by dividing net income available to common stockholders by the weighted average number of shares of common stock outstanding during each period. Shares issued during the period and shares reacquired during the period are weighted for the portion of the period in which the shares were outstanding. Diluted earnings per share has been computed in a manner consistent with that of basic earnings per share while giving effect to all potentially dilutive common shares that were outstanding during each period. The weighted average number of common shares outstanding is computed as follows (in thousands):

	<b>Three Months Ended March 31,</b>	
	<b>2007</b>	<b>2006</b>
<b>Numerator for net income per Class A and Class B common stock:</b>		
Net income	\$ 13,248	\$ 12,135
Numerator for basic net income Class A common stock	\$ 7,550	\$ 6,615
Numerator for basic net income Class B common stock	\$ 5,698	\$ 5,520
Numerator for diluted net income Class A common stock	\$ 7,627	\$ 6,682
Numerator for diluted net income Class B common stock	\$ 5,621	\$ 5,453
<b>Basic weighted average common shares outstanding</b>		
Class A common stock	19,306	18,053
Class B common stock	14,570	15,065
<b>Effect of potential exercise of stock options</b>		
Class A common stock	465	410
Class B common stock		
<b>Diluted weighted average common shares outstanding Class A</b>	<b>19,771</b>	<b>18,463</b>
<b>Diluted weighted average common shares outstanding Class B</b>	<b>14,570</b>	<b>15,065</b>

For the three months ended March 31, 2007 and 2006, options to purchase 518 thousand and 349 thousand shares, respectively, weighted for the portion of the period for which they were outstanding, were outstanding but not included in the computation of diluted earnings per share because the options' effect would have been anti-dilutive. For the three months ended March 31, 2007 and 2006, shares issued from the exercise of stock options were 161 thousand and 135 thousand, respectively.

**4. Stock-Based Compensation**

**Stock Options** In June 2006, the Company's stockholders approved our 2006 Management Incentive Plan (the Plan), which was designed to enable us to attract, retain and motivate key employees. The Plan amended and restated the Company's Management Incentive Plan that was approved by the Company's stockholders prior to the initial public offering for 2002 (the 2002 Plan). In connection with the creation of the Plan, all options outstanding under the 2002 Plan and the ManTech International Corporation 1995 Long-Term Incentive Plan were assumed. Awards granted under the Plan are settled in shares of Class A common stock. At the beginning of each year, the Plan provides that the number of shares available for issuance automatically increases by an amount equal to one and one-half percent of the total number of shares of Class A and Class B common stock outstanding on December 31st of the previous year. On January 2, 2007, 510,795 additional shares were made available for issuance under the Plan. The 2006 Plan authorizes the issuance of an additional 1,500,000 shares in addition to the shares authorized under the 2002 Plan. Through March 31, 2007, the aggregate number of shares of our common stock authorized for issuance under the Plan was 6,794,982. Through March 31, 2007, 1,947,930 shares of our Class A common stock have been issued as a result of the exercise of the options granted under the Plan. The Plan expires in June 2016.

The Plan is administered by the compensation committee of our board of directors, along with its delegates. Subject to the express provisions of the Plan, the committee has broad authority to administer and interpret the Plan, including the discretion to determine the exercise price, vesting schedule, contractual life and the number of shares to be issued.

We typically issue options that vest in three equal installments, beginning on the first anniversary of the date of grant. Prior to January 1, 2006, we issued options under the 2002 Plan that typically expired ten years after the date of grant. Under the terms of the Plan, the contractual life of the option grants may not exceed eight years. During the three months ended March 31, 2007 and 2006, we issued options that expire five years from the date of grant. The Company expects that it will continue to issue options that expire five years from the date of grant for the foreseeable

future.

**Stock Compensation Expense** Effective January 1, 2006, we adopted the Financial Accounting Standards Board (FASB) SFAS No. 123 (revised 2004), *Share-Based Payment*, using the modified prospective method. Under this method, compensation costs for all awards granted after the date of adoption and the unvested portion of previously granted awards are measured at an estimated fair value and included in operating expenses or capitalized as appropriate over the vesting period during which an employee provides service in exchange for the award. For the three months ended March 31, 2007 and 2006, total recognized tax benefits from the exercise of stock options were \$0.6 million and \$0.9 million, respectively. For the three months ended March 31, 2007 and 2006, we recorded \$1.6 million and \$1.2 million of stock-based compensation cost as general and administrative expense in our statement of operations, respectively. No compensation expense of employees holding stock options, including

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stock-based compensation expense, was capitalized during the period. As of March 31, 2007, there was \$10.5 million of unrecognized compensation cost related to share-based compensation arrangements that we expect to vest. The weighted-average period over which expense is expected to be recognized is 1.7 years.

**Fair Value Determination** Under SFAS No. 123R, we have elected to continue using the Black-Scholes-Merton option pricing model to determine fair value of our awards on date of grant. We will reconsider the use of the Black-Scholes-Merton model if additional information becomes available in the future that indicates another model would be more appropriate, or if grants issued in future periods have characteristics that cannot be reasonably estimated under this model.

The following weighted-average assumptions were used for option grants during the three months ended March 31, 2007 and 2006:

**Volatility.** The expected volatility of the options granted was estimated based upon historical volatility of the Company's share price through weekly observations of the Company's trading history. For the three months ended March 31, 2007 and 2006 we used a volatility of 42.7% and 42.5%, respectively.

**Expected Term.** The expected term of options granted during the three months ended March 31, 2007 was determined from historical exercises of the grantee population. For options granted during the three months ended March 31, 2006 the expected term was determined under the simplified calculation provided in the SEC's Staff Accounting Bulletin No. 107 ((vesting term + original contractual term)/2). For all grants valued during the three months ended March 31, 2007 and 2006, the options had graded vesting over 3 years (33.3% of the options in each grant vest annually) and the contractual term was 5 years. For the three months ended March 31, 2007 and 2006, we used a weighted-average expected term of 3.13 years and 3.5 years, respectively.

**Risk-free Interest Rate.** The yield on zero-coupon U.S. Treasury strips was used to extrapolate a forward-yield curve. This term structure of future interest rates was then input into a numeric model to provide the equivalent risk-free rate to be used in the Black-Scholes-Merton model based on expected term of the underlying grants. For the three months ended March 31, 2007 and 2006, the weighted-average risk-free interest rate used was 4.55% and 4.65%, respectively.

**Dividend Yield.** The Black-Scholes-Merton valuation model requires an expected dividend yield as an input. We have not issued dividends in the past nor do we expect to issue dividends in the future. As such, the dividend yield used in our valuations for the three months ended March 31, 2007 and 2006 was zero, respectively.

**Stock Option Activity** During the three months ended March 31, 2007, we granted stock options to purchase 417,500 shares of class A common stock at a weighted-average exercise price of \$34.05 per share, which reflects the fair market value of the shares on the date of grant. The weighted-average fair value of options granted during the three months ended March 31, 2007 and 2006, as determined under the Black-Scholes-Merton valuation model, was \$11.77 and \$11.02, respectively. These options vest in 3 equal installments over 3 years and have a contractual term of 5 years. Option grants that vested during the three months ended March 31, 2007 and 2006 had a combined fair value of \$2.9 million and \$1.4 million, respectively.

The following table summarizes the stock option activity for the year ended December 31, 2006 and the three months ended March 31, 2007:

	Number of Shares	Weighted Average Exercise Price	Aggregate Intrinsic Value (in thousands)
Shares under option, December 31, 2005	2,710,742	\$ 20.38	
Options granted	609,500	\$ 30.61	
Options exercised	(874,301)	\$ 19.20	\$ 12,666
Options cancelled and expired	(190,822)	\$ 24.92	
Shares under option, December 31, 2006	2,255,119	\$ 21.00	
Options granted	417,500	\$ 34.05	
Options exercised	(161,432)	\$ 20.90	\$ 2,108
Options cancelled and expired	(36,998)	\$ 24.22	
Shares under option, March 31, 2007	2,474,189	\$ 21.15	\$ 20,366

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Options exercisable at March 31, 2007	1,020,284	\$	21.65	\$	11,995
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The following table summarizes nonvested stock options for the three months ended March 31, 2007:

	Number of Shares	Weighted Average Fair Value
Nonvested stock options at December 31, 2006	1,376,057	\$ 8.91
Options granted	417,500	\$ 11.77
Vested during period	(302,654)	\$ 9.64
Options cancelled and expired	(36,998)	\$ 8.27
Nonvested shares under option, March 31, 2007	1,453,905	\$ 9.61

Information concerning stock options outstanding and stock option expected to vest at March 31, 2007:

	Options Exercisable and Expected to Vest	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Aggregate Intrinsic Value (in thousands)
Stock options exercisable	1,020,284	6.4	\$ 21.65	\$ 11,995
Stock options expected to vest	1,284,610	5.4	\$ 27.29	\$ 7,864
Options exercisable and expected to vest	2,304,894			

**5. Goodwill and Other Intangibles**

SFAS No. 142, *Goodwill and Other Intangible Assets* requires, among other things, the discontinuance of goodwill amortization. Under SFAS 142, goodwill is to be reviewed at least annually for impairment; we have elected to perform this review annually during the second quarter each calendar year. These reviews resulted in no adjustments in goodwill.

The components of goodwill and other intangibles are as follows:

	March 31, 2007	December 31, 2006
Goodwill	\$ 248,629	\$ 248,429
Other intangibles	69,298	69,366
	317,927	317,795
Less: Accumulated amortization	(41,004)	(39,293)
	\$ 276,923	\$ 278,502

	March 31, 2007			December 31, 2006		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortized intangible assets:						
Contract rights	\$ 45,115	\$ 14,692	\$ 30,423	\$ 45,115	\$ 13,560	\$ 31,555



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Capitalized software cost for sale	11,672	9,220	2,452	12,150	9,179	2,971
Capitalized software cost for internal use	12,511	6,985	5,526	12,101	6,447	5,654
	\$ 69,298	\$ 30,897	\$ 38,401	\$ 69,366	\$ 29,186	\$ 40,180

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Aggregated amortization expense for the three months ended March 31, 2007 and 2006 was \$1.8 million and \$1.6 million, respectively. We estimate that we will have the following amortization expense for the future periods indicated below (in thousands):

For the remaining nine months ending December 31, 2007	\$ 5,148
Year ending:	
December 31, 2008	\$ 5,541
December 31, 2009	\$ 5,247
December 31, 2010	\$ 4,545
December 31, 2011	\$ 2,387
December 31, 2012	\$ 1,521

**6. Business Segment and Geographic Area Information**

We operate as one segment, delivering a broad array of information technology and technical services solutions under contracts with the U.S. government, state and local governments, and commercial customers. Our federal government customers typically exercise independent contracting authority, and even offices or divisions within an agency or department may directly, or through a prime contractor, use our services as a separate customer so long as that customer has independent decision-making and contracting authority within its organization. Revenues from the U.S. government under prime contracts and subcontracts, as compared to total contract revenues, were approximately 97.5% and 97.9% for the three months ended March 31, 2007 and 2006, respectively. There were no sales to any customers within a single country (except for the United States) where the sales accounted for 10% or more of total revenue. We treat sales to U.S. government customers as sales within the United States regardless of where the services are performed. Substantially all assets of continuing operations were held in the United States for the periods ended March 31, 2007 and December 31, 2006. Revenues by geographic customer and the related percentages of total revenues for the three months ended March 31, 2007 and 2006, were as follows (in thousands):

	Three Months Ended March 31,			
	2007		2006	
United States	\$ 289,907	98.5%	\$ 273,187	99.2%
International	4,378	1.5	2,119	0.8
	\$ 294,285	100.0%	\$ 275,306	100.0%
United States	98.9%		99.3%	
International	1.1		0.7	
	100.0%		100.0%	

During the three months ended March 31, 2007, one contract in continuing operations, Countermine Support, exceeded 10% of our revenue. During the three months ended March 31, 2006, one contract in continuing operations, Regional Logistics Support to the Warfighter, exceeded 10% of our revenue. (in thousands):

	Three Months Ended March 31,			
	2007	%	2006	%
Revenues from external customers:				
Regional Logistics Support to the Warfighter	\$ 6,699	2%	\$ 29,667	11%
Countermine Support	40,413	14%	5,010	2%
All other contracts	247,173	84%	240,629	87%
ManTech Consolidated	\$ 294,285	100%	\$ 275,306	100%

Operating Income:

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Regional Logistics Support to the Warfighter	\$ 234	1%	\$ 1,685	7%
Countermine Support	964	5%	470	2%
All other contracts	20,165	94%	20,578	91%
ManTech Consolidated	\$ 21,363	100%	\$ 22,733	100%
Receivables:				
Regional Logistics Support to the Warfighter	\$ 5,335	2%	\$ 31,989	12%
Countermine Support	13,519	6%	3,781	1%
All other contracts	224,346	92%	228,591	86%
ManTech Consolidated	\$ 243,200	100%	\$ 264,361	100%

Disclosure items required under SFAS No. 131 including interest revenue, interest expense, depreciation and amortization, costs for stock-based compensation programs, certain unallowable costs as determined under Federal Acquisition Regulations, and expenditures for segment assets are not applicable as we review those items on a consolidated basis.

**Table of Contents****7. Revenues and Receivables**

We deliver a broad array of information technology and technical services solutions under contracts with the U.S. government, state and local governments, and commercial customers. Revenues from the U.S. government under prime contracts and subcontracts were approximately 97.5% and 97.9% of our total revenue for the three months ended March 31, 2007 and 2006, respectively. The components of contract receivables are as follows:

	March 31, 2007	December 31, 2006
Billed receivables	\$ 214,070	\$ 211,564
Unbilled receivables:		
Amounts billable	25,835	21,911
Revenues recorded in excess of estimated contract value or funding	1,922	2,832
Revenues recorded in excess of milestone billings on fixed price contracts	4,171	3,976
Retainage	1,568	1,680
Allowance for doubtful accounts	(4,366)	(5,518)
	\$ 243,200	\$ 236,445

Amounts billable consist principally of amounts to be billed within the next month. Revenues recorded in excess of contract value or funding are billable upon receipt of contractual amendments or other modifications. Revenues recorded in excess of milestone billings on fixed price contracts consist of amounts not expected to be billed within the next month. The retainage is billable upon completion of DCAA audit. At March 31, 2007, the amount of receivables that we expect to collect after one year is \$1.7 million.

**8. Commitments and Contingencies**

Payments to us on cost-reimbursable contracts with the U.S. government are provisional payments subject to adjustment upon audit by the DCAA. The majority of audits through 2002 and 2003 have been completed and resulted in no material adjustments. The audits for 2002 through 2006 are not expected to have a material effect on the results of future operations.

In the normal course of business, we are involved in certain governmental and legal proceedings, claims and disputes, and have litigation pending under several suits. We believe that the ultimate resolution of these matters will not have a material effect on our financial position, results of operations, or cash flows.

**9. Acquisitions**

**GRS Solutions, Inc.** On October 5, 2006, we completed the acquisition of all outstanding shares of GRS Solutions, Inc. (GRS) for \$20.0 million in cash, subject to certain shareholder indemnification obligations. The source of funds for the acquisition was our available cash.

GRS was a privately held company headquartered in Falls Church, VA providing specialized technical, operational and analytical services to the Intelligence Community. The acquisition improves our strategic position within the intelligence community and strengthens our capabilities in supporting counterterrorism/counterintelligence missions around the world. For its fiscal year ended September 30, 2006, GRS had revenues of approximately \$10.4 million. For the three months ended March 31, 2007, GRS added \$3.4 million to our consolidated revenues.

The purchase price was \$20.0 million, which includes a closing balance sheet adjustment of \$(0.2) million and contingent consideration of \$2.2 million based on a defined performance objective which was met subsequent to the initial purchase. As security for the GRS shareholders indemnification obligations, an escrow account in an amount of \$1.8 million was established to be used in satisfying certain indemnification obligations of the former shareholders of GRS. The purchase price was allocated to the underlying assets and liabilities based on their estimated fair values. The assets, liabilities and result of operations were not material and thus pro forma information is not presented. We recorded goodwill of \$11.8 million, which, assuming adequate levels of taxable income, will be deductible for tax purposes over 15 years. Recognition of goodwill is largely attributed to the highly skilled employees and the value paid for companies supporting the Intelligence Community. The following table sets forth the components of intangible assets associated with the acquisition at October 5, 2006 (in thousands):

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	<b>Fair Value</b>	<b>Estimated Useful Life</b>
Backlog	\$ 3,200	4 years
Customer Relationships	4,700	15 years
<b>Total Intangible Assets</b>	<b>\$ 7,900</b>	

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Customer contracts and related relationships represent the underlying relationships and agreements with GRS's existing customers. Intangible assets are being amortized straight-line method over their estimated useful life. The weighted-average amortization period for the intangibles is 10.5 years.

**10. Debt**

As of March 31, 2007, we had a Credit and Security Agreement with a syndicate of lenders led by Citizens Bank of Pennsylvania, as administrative agent. The agreement initially provided for a \$125 million credit facility that could be increased to \$200 million. The maturity date of the agreement was February 25, 2009. Under the agreement, we were required to maintain specified financial covenants relating to asset coverage, fixed charge coverage, and debt coverage. The agreement also placed limitations on additional borrowings, mergers, and related-party transactions, payment of dividends, and contains limitations with respect to capital expenditures. Borrowings under the agreement were collateralized by our assets and bear interest at the London Inter-Bank Offer Rate (LIBOR), or the lender's base rate, plus market-rate spreads that are determined based on a company leverage ratio calculation. As of March 31, 2007, we were in compliance with all covenants under the credit facility.

We had nothing outstanding on our credit facility at March 31, 2007 and December 31, 2006. The maximum available borrowing under the credit facility at March 31, 2007 was \$124.2 million. As of March 31, 2007, we were contingently liable under letters of credit totaling \$0.8 million, which reduces our availability to borrow under the credit facility.

On April 30, 2007, we terminated our credit facility with Citizens Bank and executed a new \$300.0 million revolving credit agreement with Bank of America N.A. For more information, see note 14 "Subsequent Events" below.

**11. Discontinued Operations**

The Consolidated Financial Statements and related note disclosures reflect the ManTech MSM Security Services, Inc. (MSM) subsidiary as "Long-Lived Assets to Be Disposed Of by Sale" for all periods presented in accordance with Statement of Financial Accounting Standards No. 144 *Accounting for the Impairment or Disposal of Long-Lived Assets*. As such, MSM is classified as held for sale in the consolidated balance sheets and discontinued operations, net of applicable income taxes in the consolidated statements of income.

In February 2005, we reached a final corporate determination to exit the personnel security investigation services business and discontinue operations at our MSM subsidiary. We reached the determination to sell our MSM subsidiary after we concluded that the MSM business no longer furthered our long-term strategic objectives.

On February 23, 2007, we sold MSM to MSM Security Services Holdings, LLC for \$3.0 million in cash. The sale resulted in a pre-tax gain of \$0.6 million recorded in the first quarter of 2007. MSM Security Services Holdings LLC is solely owned by George J. Pedersen, ManTech's Chairman and Chief Executive Officer. Mr. Pedersen presented an offer to the ManTech Board of Directors to purchase our MSM subsidiary. Mr. Pedersen's offer exceeded the value of any other definitive offer extended to the Company.

After Mr. Pedersen presented a formal offer to the Company to purchase our MSM subsidiary, the Board formed a special committee comprised solely of independent directors to review, evaluate and determine the advisability of the transaction. The special committee retained the services of independent legal counsel and independent financial advisor to advise the special committee and assist it in connection with its duties. The special committee received a fairness opinion from the independent financial advisor. The special committee of the Board considered the opinions received from its advisors and unanimously recommended approval of the transaction to the independent members of the board, and the transaction was approved by ManTech's independent directors.

The following discloses the results of the discontinued operations of MSM for the three months ended March 31, 2007 and 2006 (in thousands):

	<b>Three Months Ended March 31,</b>	
	<b>2007</b>	<b>2006</b>
Revenue	\$ 1,829	\$ 3,285
Loss before income taxes	\$ (749)	\$ (1,877)
Net Loss	\$ (458)	\$ (1,135)



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The following is a summary of the assets and liabilities held for sale related to MSM at December 31, 2006 (in thousands):

	<b>December 31, 2006</b>
Receivables, net	\$ 2,674
Prepaid expenses and other	70
Property and equipment	629
Other assets	
<b>Total Assets</b>	<b>\$ 3,373</b>
Accounts payable and accrued expenses	\$ 724
Accrued salaries and related expenses	369
Billings in excess of revenue earned	670
Other liabilities	52
<b>Total Liabilities</b>	<b>\$ 1,815</b>

**12. Shares Held in Grantor Trust**

At December 31, 2006 there were 609,296 shares of Class B common stock, with a cost value of \$0.6 million, reflected in equity in accordance with EITF 97-14, *Accounting for Deferred Compensation Arrangements where Amounts Earned are Held in a Rabbi Trust and Invested*. These shares are held in a Rabbi Trust to satisfy a defined contribution pension obligation, to be paid in stock for the benefit of Mr. Pedersen.

On January 8, 2007, Mr. Pedersen received a distribution of 609,296 shares of Class B Common Stock, which had been held by the ManTech International Corporation Supplemental Executive Retirement Plan for the benefit of George J. Pedersen (GJP SERP). The Class B Common Stock is convertible into Class A Common Stock at any time on a one-for-one basis, and has no expiration date. On January 8, 2007, Mr. Pedersen converted 243,040 shares of Class B Common Stock to 243,040 shares of Class A Common Stock to satisfy tax withholding requirements.

The converted shares were surrendered to the Company to pay taxes applicable to the distribution of all GJP SERP shares on Mr. Pedersen's behalf. As of the date of the issuance of these statements, the taxes have been paid, and the shares have been accounted for as treasury stock on our consolidated balance sheet, using the cost method, at an approximate value of \$9.1 million. In addition, we recognized an \$8.6 million tax benefit on the distribution from the trust. The tax benefit was recorded to additional paid-in capital and is reported as a cash inflow from financing activities on our statement of cash flows.

**13. Income Taxes**

Effective January 1, 2007, we adopted the provisions of Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes - An interpretation of FASB Statement No. 109*. Previously, the Company had accounted for tax contingencies in accordance with Statement of Financial Accounting Standards 5, *Accounting for Contingencies*. As required by FIN 48, the Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority.

At the adoption date, the Company applied FIN 48 to all tax positions for which the statute of limitations remained open. As a result of the implementation of FIN 48, the Company recognized an increase of approximately \$0.1 million in the liability for gross unrecognized tax benefits and interest and penalties, which was accounted for as a reduction to the January 1, 2007 balance of retained earnings.

The total liability of gross unrecognized tax benefits as of January 1, 2007, was \$1.3 million. That amount includes \$0.3 million of unrecognized net tax benefits which, if ultimately recognized, would reduce the Company's annual effective tax rate in a future period. Since January 1, 2007, there have been changes in the liability for gross unrecognized tax benefits totaling \$0.1 million in gross unrecognized tax benefits.



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The Company is subject to income taxes in the U.S., and various state and foreign jurisdictions. Tax statutes and regulations within each jurisdiction are subject to the interpretation and require significant judgment to apply. The Company is currently under examination by two state jurisdictions for years subsequent to 2000. Otherwise the Company is no longer subject to U.S., state, or non-U.S. income tax examinations by tax authorities for the years before 2003. The Company, which has recorded a liability for gross unrecognized tax benefits of \$0.4 million related primarily to pending state audits, believes it is reasonably possible that such audits will be concluded and settled in the next 12 months.

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The Company recognizes interest accrued related to net unrecognized tax benefits in interest expense and penalties in general and administrative expenses for all periods presented. The Company had accrued approximately \$0.2 million for the payment of interest and penalties at adoption. Subsequent changes to accrued interest and penalties have been \$0.1 million.

### 14. Subsequent Events

**New Credit Agreement** - On April 30, 2007, we terminated our credit facility with Citizens Bank and executed a new revolving credit agreement with a syndicate of lenders led by Bank of America, N.A, as administrative agent (the New Credit Agreement). The New Credit Agreement provides for a \$300 million revolving credit facility, with a \$25 million letter of credit sub limit and a \$30 million swing line loan sub limit. The New Credit Agreement also contains an accordion feature that permits the Company to arrange with the lenders for them to provide up to \$100 million in additional commitments.

Borrowings under the New Credit Agreement are collateralized by our assets and bear interest at one of the following rates as selected by the Company: (j) a LIBOR-based rate, plus market-rate spreads that are determined based on a company leverage ratio calculation (0.875% to 1.5%), or (ii) the lender's base rate, which is the lower of the Federal Funds Rate plus 0.5% or Bank of America's prime lending rate. Upon execution of the New Credit Agreement, we paid various upfront fees and other fees and expenses (including legal expenses) of approximately \$1.4 million. The maturity date for the New Credit Agreement is April 30, 2012.

The terms of the New Credit Agreement permit prepayment and termination of the loan commitments at any time, subject to certain conditions. The New Credit Agreement requires the Company to comply with specified financial covenants, including the maintenance of a certain leverage ratio and fixed charge coverage ratio. The New Credit Agreement also contains various covenants, including affirmative covenants with respect to certain reporting requirements and maintaining certain business activities, and negative covenants that, among other things, may limit our ability to incur liens, incur additional indebtedness, make investments, make acquisitions, and undertake certain additional actions.

**SRS Acquisition** - On April 6, 2007, ManTech entered into an Agreement and Plan of Merger (Merger Agreement) with SRS Technologies (SRS), certain shareholders of SRS, and certain persons acting as a representative for the shareholders of SRS. The Merger Agreement provides for the merger of a newly formed and wholly owned subsidiary of ManTech with and into SRS, with SRS surviving the merger and becoming a wholly owned subsidiary of ManTech.

Under the terms of the Merger Agreement, we will acquire all of the outstanding equity interests in SRS for an initial purchase price of \$195.0 million in cash. A portion of the purchase price will be used to pay for certain transaction costs incurred by SRS in connection with the merger. The initial purchase price is subject to adjustment based on the calculation of SRS working capital on the closing date, which is expected to occur on or about May 7, 2007. We expect to utilize a combination of cash on hand and borrowings under our New Credit Agreement to finance the acquisition.

Consummation of the merger is subject to customary closing conditions, including approval by SRS shareholders, accuracy of representations and warranties (subject to an overall material adverse effect qualification), compliance with all agreements, covenants and obligations contained in the Merger Agreement (subject to a materiality qualification for compliance with certain select covenants), and absence of a material adverse change to SRS business or financial condition.

Management believes this acquisition will:

Extend ManTech's presence in the high-end national security marketplace; and

Enhance ManTech's presence in the US Defense Advance Research Projects Agency (DARPA), Department of Homeland Security, Missile Defense Agency, National Reconnaissance Office, National Geospatial-Intelligence Agency, and other Department of Defense agencies.

SRS is a privately-held company with specialized domain knowledge in the areas of space-based radar and communications; chemical, biological, conventional and nuclear weapons detection and defeat programs; imagery intelligence; and aeronautic, space and information systems development. More than 85 percent of SRS revenue has historically been derived from the Department of Defense, Intelligence Community and the Department of Homeland Security.

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SRS is expected to generate revenues in excess of \$175 million during their fiscal year 2007, which ends in August 2007. SRS has over 800 employees including highly-cleared and educated personnel.

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Condensed consolidated financial information related to SRS Fiscal Year 2006 operations is provided below (in thousands).

As of August 31, 2006		Fiscal year ended August 31, 2006	
Balance Sheet Data:		Statement of Operations Data:	
Current assets	\$ 41,601	Net Revenue	\$ 145,557
Total assets	48,535	Operating and other expenses	134,938
Current liabilities	19,701	Net income	\$ 6,484
Total liabilities	19,793		
Stockholder's equity	28,742		
Total liabilities and stockholder's equity	\$ 48,535		

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**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

**Introduction and Overview**

We are a leading 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 agencies. Our expertise includes systems engineering, systems integration, software services, enterprise architecture, information assurance and security architecture, intelligence operations and analysis support, network and critical infrastructure protection, information operations and computer forensics, information technology, communications integration and engineering support. With nearly 5,600 highly qualified employees, we operate in the United States and over 40 countries worldwide.

We derive revenue primarily from contracts with U.S. government agencies that are focused on national security and as a result, funding for our programs is generally linked to trends in U.S. government spending in the areas of defense, intelligence and homeland security. Related to the terrorist events of 2001, the U.S. government has substantially increased its overall defense, intelligence and homeland security budgets.

We recommend that you read this discussion and analysis in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations included in our annual report on Form 10-K for the fiscal year ended December 31, 2006, which was filed with the SEC on March 9, 2007.

**Recent Developments**

***New Credit Agreement***

On April 30, 2007, we terminated our credit facility with Citizens Bank and executed a new revolving credit agreement with a syndicate of lenders led by Bank of America, N.A., as administrative agent (the *New Credit Agreement*). For more information, see *Liquidity and Capital Resources - New Credit Agreement* below.

***SRS Acquisition***

On April 6, 2007, ManTech entered into an Agreement and Plan of Merger (*Merger Agreement*) with SRS Technologies (*SRS*), certain shareholders of SRS, and certain persons acting as a representative for the shareholders of SRS. Under the terms of the Merger Agreement, one of our newly-formed and wholly owned subsidiaries will merge with and into SRS, with SRS surviving the merger and becoming a wholly owned subsidiary of ManTech.

Under the terms of the Merger Agreement, we will acquire all of the outstanding equity interests in SRS for an initial purchase price of \$195.0 million in cash. A portion of the purchase price will be used to pay for certain transaction costs incurred by SRS in connection with the merger. The purchase price is subject to adjustment based on the calculation of SRS' working capital on the closing date, which we expect to occur on or about May 7, 2007. We expect to utilize a combination of cash on hand and borrowings under our New Credit Agreement to finance the acquisition.

We believe this acquisition will:

Extend ManTech's presence in the high-end national security marketplace; and

Enhance ManTech's presence in the US Defense Advance Research Projects Agency (DARPA), Department of Homeland Security, Missile Defense Agency, National Reconnaissance Office, National Geospatial-Intelligence Agency, and other Department of Defense agencies.

SRS is a privately-held company with specialized domain knowledge in the areas of space-based radar and communications; chemical, biological, conventional and nuclear weapons detection and defeat programs; imagery intelligence; and aeronautic, space and information systems development. More than 85 percent of SRS' revenue has historically been derived from the Department of Defense, Intelligence Community and the Department of Homeland Security. SRS' backlog as of March 2, 2007 was estimated at \$750 million, of which \$98.5 million was funded backlog.

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Assuming the acquisition is completed on or about May 7, 2007, SRS is expected to add revenues of approximately \$120 million through December 31, 2007. SRS has over 800 employees including highly-cleared and educated personnel.

**Table of Contents***Three Months Ended March 31, 2007 Compared to the Three Months Ended March 31, 2006*

	Condensed Consolidated Statements of Operations					
	Three Months Ended March 31,				Period to Period Change	
	2007	2006	2007	2006	2006 to 2007	
	Dollars		Percentages	Dollars	Percent	
	(dollar amounts in thousands)					
<b>REVENUE</b>	\$ 294,285	\$ 275,306	100.0%	100.0%	\$ 18,979	6.9%
Cost of services	246,903	227,807	83.9%	82.7%	19,096	8.4%
General and administrative expenses	26,019	24,766	8.8%	9.0%	1,253	5.1%
<b>OPERATING INCOME</b>	21,363	22,733	7.3%	8.3%	(1,370)	-6.0%
Interest (income) expense, net	(327)	792	0.1%	0.3%	(1,119)	-141.3%
Other (income) expense, net	(12)	79	0.0%	0.0%	(91)	-115.2%
<b>INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES</b>	21,702	21,862	7.4%	7.9%	(160)	-0.7%
Provision for income taxes	(8,334)	(8,592)	2.8%	3.1%	258	-3.0%
<b>INCOME FROM CONTINUING OPERATIONS</b>	13,368	13,270	4.5%	4.8%	98	0.7%
(Loss) from operations of discontinued component, net of taxes	(458)	(1,135)	0.2%	0.4%	677	-59.6%
Gain on sale of discontinued operation, net of taxes	338		0.1%	0.0%	338	100.0%
<b>NET INCOME</b>	\$ 13,248	\$ 12,135	4.5%	4.4%	\$ 1,113	9.2%

*Revenues*

Revenues increased 6.9% to \$294.3 million for the three months ended March 31, 2007, compared to \$275.3 million for the same period in 2006. This increase is primarily attributable to forward deployment and counter mine/counter improvised explosive devices (IED) support in Iraq and Afghanistan. One contract in support of the installation and repair of systems designed to counter mines and IEDs accounted for \$40.4 million of revenues for the three months ended March 31, 2007. The acquisition of GRS in October 2006 added \$3.4 million to our revenues for the three months ended March 31, 2007.

*Cost of services*

Cost of services increased 8.4% to \$246.9 million for the three months ended March 31, 2007, compared to \$227.8 million for the same period in 2006. As a percentage of revenues, cost of services increased 1.2%, to 83.9% for the three months ended March 31, 2007 compared to 82.7% for the same period in 2006. This increase was due to larger purchases of equipment and materials directly for contracts and increased use of subcontractors in support of our contracts. The increase in other direct costs resulted in lower income from continuing operations primarily due to generally lower profit margins on purchases of equipment and materials. Direct labor costs, which include applicable fringe benefits and overhead, decreased by 4.3% primarily due to lower direct labor hours incurred and reduced fringe benefits cost offset by an increase in overhead. As a percentage of revenues, direct labor costs decreased 5.0% to 43.2% for the three months ended March 31, 2007 compared to 48.2% for the same period in 2006. Other direct costs increased by 26.1% over the same period in 2006, from \$95.1 million to \$119.9 million, which reflects the increase in purchases of equipment and materials, and increased use of subcontractors as noted above. As a percentage of revenues, other direct costs increased from 34.5% for the three months ended March, 2006 to 40.7% for the same period in 2007.

*General and administrative*

General and administrative expenses increased 5.1% to \$26.0 million for the three months ended March 31, 2007, compared to \$24.8 million for the same period in 2006. As a percentage of revenues, general and administrative expenses decreased to 8.8% from 9.0% for the three months ended March 31, 2007 and 2006, respectively. The increase in expense during the year resulted primarily from increased bid and proposal spending, share-based compensation, and amortization of intangibles related to our acquisition of GRS Solutions in October 2006. These increases were partially offset by lower bad debt expense due to more favorable collections experience during the past year. For the three months ended March 31, 2007 and 2006, we recognized \$1.6 million and \$1.2 million in share-based compensation expense under SFAS No. 123R,

respectively.



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### *Interest (income) expense, net*

For the three months ended March 31, 2007, we had net interest income of \$0.3 million versus net interest expense of \$0.8 million for the same period in 2006. The change in interest (income) expense, net is a result of decreased borrowing under our credit facility and interest income from cash on hand. For the three months ended March 31, 2007, we had no borrowings under our credit facility compared to an average debt balance of \$52.5 million for the same period in 2006. The relatively higher level of indebtedness in 2006 was due to our acquisition of Gray Hawk in May 2005. As we intend to use our credit facility to finance our acquisition of SRS Technologies, see [Subsequent Events](#) below, interest expense levels will increase for the remainder of 2007.

### *Loss from discontinued operations*

Our MSM subsidiary, which we determined to sell in February 2005, is classified as held for sale in the consolidated balance sheets and discontinued operations, net of applicable income taxes in the consolidated statements of income. Loss from discontinued operations decreased 59.6% to \$0.5 million for the three months ended March 31, 2007, compared with \$1.1 million for the same period in 2006. The reduced loss reflects two months of MSM operations in 2007 because of the sale on MSM on February 23, 2007 (as described below) versus a full three months of MSM operations in the same period in 2006 as well as reduced direct costs as a percentage of revenues. For additional information see [Discontinued Operations](#), below.

### *Gain on sale of discontinued operation*

On February 23, 2007, we sold MSM to MSM Security Services Holdings, LLC (an entity that is solely owned by George J. Pedersen, our Chairman and Chief Executive Officer) for \$3.0 million in cash. We recorded a \$0.3 million net gain on the transaction. For additional information see [Discontinued Operations](#), below.

### *Net income*

Net income increased 9.2% to \$13.3 million for the three months ended March 31, 2007, compared to \$12.2 million for the same period in 2006. The increase is a result of higher revenue, increased income from continuing operations, and a reduced net loss on discontinued operations of \$0.1 million in 2007 versus a loss of \$1.0 million for the same period in 2006. Our effective tax rate for the three months ended March 31, 2007 and 2006 was 38.4% and 39.3%, respectively.

## **Backlog**

At March 31, 2007 and December 31, 2006, our backlog was \$2.9 billion and \$2.9 billion, respectively, of which \$0.8 billion and \$0.6 billion, respectively, was funded backlog. At March 31, 2006, our backlog was \$2.2 billion, of which \$0.5 billion was funded backlog. Backlog and funded backlog represent estimates that we calculate on a consistent basis. Additional information on how we determine backlog is included in our annual report on Form 10-K for the fiscal year ended December 31, 2006, previously filed with the SEC.

## **Effects of Inflation**

We generally have been able to price our contracts in a manner to accommodate the rates of inflation experienced in recent years. Under our time and materials contracts, labor rates are usually adjusted annually by predetermined escalation factors. Our cost reimbursable contracts automatically adjust for changes in cost. Under our fixed-price contracts, we include a predetermined escalation factor, but generally, we have not been adversely affected by inflation.

## **Liquidity and Capital Resources**

Our primary liquidity needs are the financing of working capital, capital expenditures and acquisitions. As of March 31, 2007, our primary source of liquidity was cash provided by operations and our revolving credit facility with Citizens. At March 31, 2007, we did not have an outstanding balance under that credit facility. At March 31, 2007, we were contingently liable under letters of credit totaling \$0.8 million, which reduced our ability to borrow under that credit facility. The maximum available borrowing under our credit facility at March 31, 2007 was \$124.2 million.

On April 30, 2007, we executed our New Credit Agreement with Bank of America N.A. The New Credit Agreement initially provides for up to \$300.0 million in available borrowings. See [New Credit Agreement](#) below for additional information.

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Generally, cash provided by operating activities is adequate to fund our operations, although we expect to borrow approximately \$170 million in connection with the anticipated closing of the SRS transaction on or about May 7, 2007. Due to fluctuations in our cash flows and the growth in our operations, it may be necessary from time to time to increase borrowings under our New Credit Agreement to meet cash demands. Also, in the future, we may borrow greater amounts in order to finance acquisitions or new contract start ups.

**Table of Contents*****Net cash flows from operating activities***

(in thousands)	Three months ended March 31,	
	2007	2006
Cash used by operating activities from continuing operations:	\$ (10,200)	\$ (9,520)
Cash used by discontinued operations:	(1,562)	(1,967)
Cash used by operating activities:	\$ (11,762)	\$ (11,487)

Cash used in operating activities from continuing operations for the three months ended March 31, 2007 was \$10.2 million, compared to \$9.5 million used in operating activities for the three months ended March 31, 2006. The cash outflow from operations for the three months ended March 31, 2007 is primarily due to the payment of management's annual bonuses and related payroll taxes in March and the timing of payments for subcontractors and material purchases. For the three months ended March 31, 2007, discontinued operations used \$1.6 million of cash versus a net use of cash of \$2.0 million for the three months ended March 31, 2006. The reduced cash outflow from discontinued operations is the result of the sale of our MSM subsidiary on February 23, 2007.

***Net cash flows from investing activities***

(in thousands)	Three months ended March 31,	
	2007	2006
Cash (used) in investing activities from continuing operations:	\$ (1,988)	\$ (1,803)
Cash provided by investing activities from discontinued operations:	3,000	
Cash provided (used) by investing activities:	\$ 1,012	\$ (1,803)

Cash used in investing activities from continuing operations was \$2.0 million for the three months ended March 31, 2007, compared to \$1.8 million for the same period in 2006. The cash outflows from continuing operations in 2007 and 2006 are the result of investments in property, plant, and equipment and internal-use software to support our business. For the three months ended March 31, 2007, we had an investing cash inflow from discontinued operations of \$3.0 million from the sale of our MSM subsidiary. For additional information see [Discontinued Operations](#), [below](#).

Cash flow from investing activities can fluctuate significantly with the execution of our acquisition strategy. On or about May 7, 2007, we expect to close on our acquisition of SRS. The initial purchase price for SRS is \$195.0 million in cash.

***Net cash flows from financing activities***

(in thousands)	Three months ended March 31,	
	2007	2006
Cash provided by financing activities:	\$ 3,357	\$ 12,423

Cash provided by financing activities was \$3.4 million for the three months ended March 31, 2007, compared to cash provided by financing activities of \$12.4 million for the three months ended March 31, 2006. The net cash provided in the first three months of 2007 resulted primarily from proceeds from the exercise of stock options. In addition, we acquired treasury stock with a cost of \$9.1 million related to the distribution of a supplemental executive retirement plan (SERP) for our Chairman and Chief Executive Officer (for additional information, see note 12 [Shares Held in Grantor Trust](#) to our condensed consolidated financial statements). The cash outflow for the acquisition of treasury stock was offset by the excess tax benefits generated by stock option exercises and the SERP transaction. For the three months ended March 31, 2006, the cash inflow from financing activities was primarily due to borrowings under our credit facility of \$9.5 million and proceeds from stock option exercises of \$2.4 million.

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Cash from financing activities is driven primarily from the proceeds on the exercise of stock options and their associated excess tax benefits as well as our use of our credit facility to fund operations and/or acquisitions. On April 30, 2007, we executed the New Credit Agreement to support the acquisition of SRS and future liquidity requirements. To finance the purchase of SRS, we expect to utilize approximately \$170.0 million of the \$300.0 million available under the New Credit Agreement.

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### ***New Credit Agreement***

On April 30, 2007, we terminated our \$125.0 million credit facility with Citizens Bank and executed the New Credit Agreement with a syndicate of lenders led by Bank of America, N.A, as administrative agent. The New Credit Agreement provides for a \$300 million revolving credit facility, with a \$25 million letter of credit sub limit and a \$30 million swing line loan sub limit. The New Credit Agreement also contains an accordion feature that permits the Company to arrange with the lenders for them to provide up to \$100 million in additional commitments.

Borrowings under the New Credit Agreement are collateralized by our assets and bear interest at one of the following rates as selected by the Company: (i) a LIBOR-based rate, plus market-rate spreads that are determined based on a company leverage ratio calculation (0.875% to 1.5%), or (ii) the lender's base rate, which is the lower of the Federal Funds Rate plus 0.5% or Bank of America's prime lending rate. The maturity date for the New Credit Agreement is April 30, 2012.

The terms of the New Credit Agreement permit prepayment and termination of the loan commitments at any time, subject to certain conditions. The New Credit Agreement requires the Company to comply with specified financial covenants, including the maintenance of a certain leverage ratio and fixed charge coverage ratio. The New Credit Agreement also contains various covenants, including affirmative covenants with respect to certain reporting requirements and maintaining certain business activities, and negative covenants that, among other things, may limit our ability to incur liens, incur additional indebtedness, make investments, make acquisitions, and undertake certain additional actions.

We believe the capital resources available to us under our New Credit Agreement and cash from our operations are adequate to fund our ongoing operations and to support the internal growth we expect to achieve for at least the next twelve months. We anticipate financing our external growth from acquisitions and our longer-term internal growth through one or more of the following sources: cash from operations; additional borrowing; issuance of equity; use of the New Credit Agreement; or a refinancing of our New Credit Agreement.

### **Discontinued Operations**

Our Consolidated Financial Statements and related note disclosures reflect our ManTech MSM Security Services, Inc. (MSM) subsidiary as Long-Lived Assets to Be Disposed of by Sale for all periods presented in accordance with Statement of Financial Accounting Standards No. 144 *Accounting for the Impairment or Disposal of Long-Lived Assets*. As such, MSM is classified as held for sale in the consolidated balance sheets and discontinued operations, net of applicable income taxes in the consolidated statements of income.

In February 2005, we reached a final corporate determination to exit the personnel security investigation services business and discontinue operations at our MSM subsidiary. We reached the determination to sell our MSM subsidiary after we concluded that the MSM business no longer furthered our long-term strategic objectives.

On February 23, 2007, we sold MSM to MSM Security Services Holdings, LLC for \$3.0 million in cash. The sale resulted in a pre-tax gain of \$0.6 million in the first quarter of 2007. MSM Security Services Holdings, LLC is solely owned by George J. Pedersen, ManTech's Chairman and Chief Executive Officer. Mr. Pedersen presented an offer to the ManTech Board of Directors to purchase our MSM subsidiary. Mr. Pedersen's offer exceeded the value of any other definitive offers extended to the Company.

After Mr. Pedersen presented a formal offer to the Company to purchase our MSM subsidiary, the Board formed a special committee comprised solely of independent directors to review, evaluate and determine the advisability of the transaction. The special committee retained the services of independent legal counsel and independent financial advisor to advise the special committee and assist it in connection with its duties. The special committee received a fairness opinion from the independent financial advisor. The special committee of the Board considered the opinions received from its advisors and unanimously recommended approval of the transaction to the independent members of the board, and the transaction was approved by ManTech's independent directors.

### **Critical Accounting Estimates and Policies**

Critical accounting policies are defined as those that are reflective of significant judgments and uncertainties, and potentially result in materially different results under different assumptions and conditions. Application of these policies is particularly important to the portrayal of our financial condition and results of operations. The discussion and analysis of our financial

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condition and results of operations are based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these consolidated financial statements requires management to make estimates and judgments that affect the reported amount of assets, liabilities, revenues and expenses. Actual results may differ from these estimates under different assumptions or conditions. Our significant accounting policies, including the critical policies listed below, are described in the notes to the condensed consolidated financial statements included in this report.

*Revenue Recognition and Cost Estimation*

We recognize revenue when persuasive evidence of an arrangement exists, services have been rendered, the contract price is fixed or determinable, and collectibility is reasonably assured. We have a standard internal process that we use to determine whether all required criteria for revenue recognition have been met.

Our revenues consist primarily of services provided by our employees, and to a lesser extent, the pass through of costs for materials and subcontract efforts under contracts with our customers. Cost of services consists primarily of compensation expenses for program personnel, the fringe benefits associated with this compensation, and other direct expenses incurred to complete programs, including cost of materials and subcontract efforts.

We derive the majority of our revenue from cost-plus-fixed-fee, cost-plus-award-fee, firm-fixed-price, or time-and-materials contracts. Revenues for cost-reimbursement contracts are recorded as reimbursable costs are incurred, including an estimated share of the applicable contractual fees earned. For performance-based fees under cost reimbursable contracts, that are subject to the provisions of Statement of Position 81-1, *Accounting for Performance of Construction-Type and Certain Production-Type Contracts* (SOP 81-1), we recognize the relevant portion of the expected fee to be awarded by the client at the time such fee can be reasonably estimated, based on factors such as our prior award experience and communications with the client regarding performance. For cost reimbursable contracts with performance-based fee incentives that are subject to the provisions of U.S. Securities and Exchange Commission Staff Accounting Bulletin No. 104, *Revenue Recognition (SAB104)*, we recognize the relevant portion of the fee upon customer approval. For time-and-material contracts, revenue is recognized to the extent of billable rates times hours delivered plus material and other reimbursable costs incurred. For long-term fixed-price production contracts, revenue is recognized at a rate per unit as the units are delivered, or by other methods to measure services provided. Revenue from other long-term fixed-price contracts is recognized ratably over the contract period or by other appropriate methods to measure services provided. Contract costs are expensed as incurred except for certain limited long-term contracts noted below. For long-term contracts which are specifically described in the scope section of American Institute of Certified Public Accountants ( AICPA ) Statement of Position ( SOP ) No. 81-1, *Accounting for Performance of Construction Type and Certain Production-Type Contracts*, or other appropriate accounting literature we apply the percentage of completion method. Under the percentage of completion method, income is recognized at a consistent profit margin over the period of performance based on estimated profit margins at completion of the contract. This method of accounting requires estimating the total revenues and total contract cost at completion of the contract. During the performance of long-term contracts, these estimates are periodically reviewed and revisions are made as required. The impact on revenue and contract profit as a result of these revisions is included in the periods in which the revisions are made. This method can result in the deferral of costs or the deferral of profit on these contracts. Because we assume the risk of performing a fixed-price contract at a set price, the failure to accurately estimate ultimate costs or to control costs during performance of the work could result, and in some instances has resulted, in reduced profits or losses for such contracts. Estimated losses on contracts at completion are recognized when identified. In certain circumstances, revenues are recognized when contract amendments have not been finalized.

*Goodwill*

Goodwill represents the excess of cost over the fair value of net tangible and identifiable intangible assets of acquired companies. Effective January 1, 2002, we adopted SFAS No. 142, and no longer amortize goodwill; rather, we review goodwill at least annually for impairment. We have elected to perform this review annually during second quarter of each calendar year and have determined no adjustments are necessary at this time. For acquisitions completed prior to the adoption of SFAS No. 141 and SFAS No. 142 on January 1, 2002, goodwill was amortized on a straight-line basis over periods ranging from two to twenty years.

*Other Matters*

Our significant accounting policies, including the critical policies listed above, are described in the notes to the consolidated financial statements for the year ended December 31, 2006, included in our Annual Report on Form 10-K filed with the SEC on March 9, 2007.

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### **Recent Accounting Pronouncements**

In June 2006, the FASB issued Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes - An interpretation of FASB Statement No. 109*, which clarifies the accounting for uncertainty in tax positions. FIN 48 seeks to reduce the diversity in accounting practices used in regards to uncertain tax positions by prescribing a recognition threshold and measurement criteria for benefits related to income taxes. The provisions of FIN 48 are effective for all reporting periods beginning after December 15, 2006. Effective January 1, 2007, we have applied the provisions of FIN 48 to all tax positions with cumulative effects recognized an adjustment of \$0.1 million to retained earnings.

In September 2006, the FASB issued Statement No. 157 (SFAS 157), *Fair Value Measurements*, which addresses how companies should measure fair value when they are required to use a fair value measure for recognition or disclosure purposes under generally accepted accounting principles. SFAS 157 is effective for fiscal years beginning after November 15, 2007. At this time, we are assessing the impact the adoption of SFAS 157 will have on our consolidated financial statements.

In February 2007, the FASB issued Statement No. 159 (SFAS 159), *The Fair Value Option for Financial Assets and Liabilities - Including an amendment of FASB Statement No. 115*, which permits entities to measure eligible items at fair value. For items where the fair value election is made, the company will be required to report unrealized gains or losses in earnings. SFAS 159 is effective for fiscal years beginning after November 15, 2007. At this time, we are assessing the impact the adoption of SFAS 159 will have on our consolidated financial statements.

### **Forward-Looking Statements**

This Quarterly Report on Form 10-Q contains forward-looking statements that involve substantial risks and uncertainties, many of which are outside of our control. ManTech believes these statements to be within the definition of the Private Securities Litigation Reform Act of 1995. You can identify these statements by forward-looking words such as may, will, expect, intend, anticipate, believe, estimate, similar words. You should read statements that contain these words carefully because they discuss our future expectations, make projections of our future results of operations or financial condition or state other forward-looking information. continue

Although forward-looking statements in this Quarterly Report reflect the good faith judgment of management, such statements can only be based on facts and factors currently known by us. Consequently, forward-looking statements are inherently subject to risks and uncertainties, and actual results and outcomes may differ materially from the results and outcomes discussed in or anticipated by the forward-looking statements. We believe that it is important to communicate our future expectations to our investors. However, there may be events in the future that we are not able to predict accurately or control. Factors that could cause actual results to differ materially from the results we anticipate include, but are not limited to, the following:

adverse changes in U.S. government spending priorities;

adverse changes in our mix of contract types;

failure to retain existing U.S. government contracts, win new contracts or win recompetes;

failure to close our SRS acquisition or to successfully integrate SRS and GRS into our operations or to realize any accretive or synergistic effects from such acquisitions;

adverse results of U.S. government audits of our government contracts;

adverse effect of contract consolidations;

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additional risks and costs associated with complying with new laws and regulations relating to corporate governance issues;

risk of contract performance or termination;

failure to obtain option awards, task orders or funding under contracts;

failure to identify, execute or effectively integrate future acquisitions;

risks associated with complex U.S. government procurement laws and regulations;

risks of financing, such as increases in interest rates and restrictions imposed by our New Credit Agreement, including our ability to meet existing financial covenants; and

competition.



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We urge you not to place undue reliance on these forward-looking statements, which speak only as of the date of this Quarterly Report. These and other risk factors are more fully described and discussed in our annual report on Form 10-K for the fiscal year ended December 31, 2006, previously filed with the SEC, those referenced in Item 1A of Part II below, and from time to time, in our other filings with the SEC. We undertake no obligation to revise or update any forward-looking statements in order to reflect any event or circumstance that may arise after the date of this Quarterly Report. We also suggest that you carefully review and consider the various disclosures made in this Quarterly Report that attempt to advise interested parties of the risks and factors that may affect our business, financial condition, results of operations and prospects.

**Item 3. Quantitative and Qualitative Disclosure about Market Risk**

Our exposure to market risk relates to changes in interest rates for borrowings under our senior term loan and revolving credit facility. These borrowings bear interest at variable rates. As of March 31, 2007, we had no borrowings outstanding under our revolving credit facility with Citizens. A hypothetical 10% increase in interest rates would have minimal impact our interest expense for the three months ended March 31, 2007.

We do not use derivative financial instruments for speculative or trading purposes. We invest our excess cash in short-term, investment grade, interest-bearing securities. Our investments are made in accordance with an investment policy approved by the board of directors. Under this policy, no investment securities can have maturities exceeding one year, and the average maturity of the portfolio cannot exceed 90 days.

**Item 4. Controls and Procedures**

As of March 31, 2007, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer (our principal executive officer and principal financial officer, respectively), management evaluated the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15 of the Exchange Act. Based upon this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective, as of the end of the period covered by this report, such that the information relating to us that is required to be disclosed in our reports filed with the SEC (i) is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (ii) is accumulated and communicated to management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

There were no changes in our internal control over financial reporting during the Company's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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**PART II OTHER INFORMATION**

**Item 1. Legal Proceedings**

We are subject to certain legal proceedings, government audits, investigations, claims and disputes that arise in the ordinary course of our business. Like most large government defense contractors, our contract costs are audited and reviewed on a continual basis by an in-house staff of auditors from the Defense Contract Auditing Agency. In addition to these routine audits, we are subject from time to time to audits and investigations by other agencies of the federal government. These audits and investigations are conducted to determine if our performance and administration of our government contracts are compliant with contractual requirements and applicable federal statutes and regulations. An audit or investigation may result in a finding that our performance, systems and administration is compliant or, alternatively, may result in the government initiating proceedings against us or our employees, including administrative proceedings seeking repayment of monies, suspension and/or debarment from doing business with the federal government or a particular agency, or civil or criminal proceedings seeking penalties and/or fines. Audits and investigations conducted by the federal government frequently span several years.

Although we cannot predict the outcome of these and other legal proceedings, investigations, claims and disputes, based on the information now available to us, we do not believe the ultimate resolution of these matters, either individually or in the aggregate, will have a material adverse effect on our business, prospects, financial condition, operating results, or cash flows.

**Item 1A. Risk Factors**

Other than as set forth below, there have been no material changes from the risk factors disclosed in the Risk Factors section of the Company's Annual Report on Form 10-K for the year ended December 31, 2006.

The risk factor in the Form 10-K entitled *We may not be successful in identifying acquisition candidates, and we may undertake acquisitions that could increase our costs or liabilities or be disruptive* is hereby replaced in its entirety with the following:

*We may not be successful in identifying acquisition candidates, and we may undertake acquisitions that could increase our costs or liabilities or be disruptive.*

One of our key operating strategies is to selectively pursue acquisitions. We have made a number of acquisitions in the past, are currently evaluating a number of potential acquisition opportunities, and will consider other acquisitions in the future. We may not be able to identify suitable acquisition candidates at prices we consider appropriate, or finance acquisitions on terms that are satisfactory to us. In addition, recent changes in the U.S. Small Business Administration rules concerning recertification as a small business in order to continue to qualify for small business set-aside awards could also reduce the number of potential acquisition candidates. If we do identify an appropriate acquisition candidate, we may not be able to successfully negotiate the terms of an acquisition, finance and close the acquisition or, if the acquisition occurs, integrate the acquired business into our existing business. Negotiations of potential acquisitions and the integration of acquired business operations could disrupt our business by diverting management away from day-to-day operations. Acquisitions of large businesses or other material operations may require additional debt or equity financing, resulting in additional leverage or dilution of ownership.

If we are unable to successfully integrate companies that we acquire, our revenue and operating results could suffer. The integration of such businesses into our operations may result in unforeseen operating difficulties (including incompatible accounting and information management systems), may absorb significant management attention and may require significant financial resources that would otherwise be available for the ongoing development or expansion of our business. The difficulties of integration may be increased by the necessity of coordinating geographically dispersed organizations, integrating personnel with disparate business backgrounds and combining different corporate cultures. In certain acquisitions, federal acquisition regulations may require us to enter into government novation agreements, a potentially time-consuming process. We also may not realize cost efficiencies or synergies that we anticipated when selecting our acquisition candidates. We may experience attrition, including, but not limited to, key employees of the acquired companies, during and following the integration of the acquired businesses that could reduce our future revenue. In addition, we may need to record write-downs from future impairments of intangible assets, which could reduce our future reported earnings. At times, acquisition candidates may have liabilities or adverse operating issues that we fail to discover through due diligence prior to the

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acquisition. In particular, to the extent that prior owners of any acquired businesses or properties failed to comply with or otherwise violated applicable laws or regulations, or failed to fulfill their contractual obligations to the federal government or other clients, we, as the successor owner, may be financially responsible for these violations and failures and may suffer harm to our reputation or otherwise be adversely affected. The discovery of any material liabilities associated with our acquisitions could cause us to incur additional expenses and cause a reduction in our operating profits.

The risk factor in the Form 10-K entitled "Covenants in our credit facility may restrict our financial and operating flexibility" is hereby replaced in its entirety with the following:

***Our indebtedness and debt service obligations may increase substantially and covenants in our credit facility may restrict our financial and operating flexibility.***

On April 30, 2007, we entered into a new secured revolving credit agreement with a syndicate of lenders led by Bank of America, N.A, as administrative agent. The credit facility provides for a \$300 million revolving credit facility, with a \$25 million letter of credit sub limit and a \$30 million swing line loan sub limit. The credit facility also contains an accordion feature that permits the Company to arrange with the lenders for them to provide up to \$100 million in additional commitments.

Borrowings under the credit facility are collateralized by our assets and will bear interest at the election of the Company at a base rate or a LIBOR-based rate, in each case plus a margin that varies with the Company's leverage ratio. The maturity date for the credit facility is April 30, 2012.

The terms of the credit facility permit prepayment and termination of the loan commitments at any time, subject to certain conditions. The credit facility requires the Company to comply with specified financial covenants, including the maintenance of a certain leverage ratio and fixed charge coverage ratio. The credit facility also contains various covenants, including affirmative covenants with respect to certain reporting requirements and maintaining certain business activities, and negative covenants that, among other things, may limit our ability to incur liens, incur additional indebtedness, make investments, make acquisitions, and undertake certain additional actions.

We had nothing outstanding on our credit facility at April 30, 2007 and December 31, 2006. As of April 30, 2007, we were contingently liable under letters of credit totaling \$0.8 million, which reduced our availability to borrow under our credit facility to \$299.2 million. We expect our leverage to increase by approximately \$170.0 million upon closing our acquisition of SRS, which we expect to occur on or about May 7, 2007. Leverage may increase further as a result of any future acquisitions and, accordingly, the amount of our indebtedness may increase, perhaps substantially.

Our indebtedness could have significant negative consequences, including:

increasing our vulnerability to general adverse economic and industry conditions;

requiring that a substantial portion of our cash flow from operations be applied to pay our debt service obligations, thus reducing cash available for other purposes;

limiting our flexibility in planning for or reacting to changes in our business or in the industry in which we compete; and

placing us at a possible disadvantage compared to our competitors with less leverage or better access to capital.

Our credit facility also bears interest at variable rates based upon prevailing market interest rates, which exposes us to the risk of increased interest rates.

Our ability to repay borrowings under the credit facility will depend primarily on our future performance, which to a certain extent is subject to the economic, financial, competitive and other factors beyond our control. There can be no assurance that our business will continue to generate sufficient cash flow from operations in the future to service our debt or meet our other cash needs.



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Our ability to satisfy the financial covenants can be affected by events beyond our control, and we cannot assure you that we will meet these ratios. Default under our credit facility could allow the lenders to declare all amounts outstanding to be immediately due and payable. We have pledged substantially all of our assets to secure the debt under our credit facility. If the lenders declare amounts outstanding under the credit facility to be due, the lenders could proceed against those assets. Any event of default, therefore, could have a material adverse effect on our business if the creditors determine to exercise their rights. We also may incur future debt obligations that might subject us to restrictive covenants that could affect our financial and operational flexibility, restrict our ability to pay dividends on our common stock or subject us to other events of default.

From time to time we may require consents or waivers from our lenders to permit actions that are prohibited by our credit facility. If our lenders refuse to provide waivers of our credit facility's restrictive covenants and/or financial ratios, then we may be in default under our credit facility, and we may be prohibited from undertaking actions that are necessary or desirable to maintain and expand our business.

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**Item 6. Exhibits**

Exhibits required by Item 601 of Regulation S-K:

The following lists certain exhibits either filed herewith or filed with the SEC during the fiscal quarter ended March 31, 2007.

<b>Exhibit No.</b>	<b>Description</b>
2.1	LLC Membership Interest Purchase Agreement, by and among ManTech International Corporation, ManTech Systems Engineering Corporation and MSM Security Services Holdings, LLC, dated as of February 14, 2007 (incorporated herein by reference from registrant's Current Report on Form 8-K, as filed with the SEC on February 15, 2007).
4.1	Credit Agreement by and among the Company, Bank of America, N.A. (as Administrative Agent and L/C Issuer), Citizens Bank of Pennsylvania (as Syndication Agent), PNC Bank, National Association and Branch Banking and Trust Company (each as a Documentation Agent) and the other lender parties thereto, dated April 30, 2007 (incorporated herein by reference from registrant's Current Report on Form 8-K, as filed with the SEC on May 1, 2007).
10.1*	ManTech International Corporation 2007 Incentive Compensation Plan (incorporated herein by reference from registrant's Current Report on Form 8-K, as filed with the SEC on March 12, 2007).
10.2*	Form of Term Sheet for 2007 Incentive Compensation Plan - Corporate Executive (incorporated herein by reference from registrant's Current Report on Form 8-K, as filed with the SEC on March 12, 2007).
10.3*	Form of Term Sheet for 2007 Incentive Compensation Plan - Subsidiary and Division President (incorporated herein by reference from registrant's Current Report on Form 8-K, as filed with the SEC on March 12, 2007).
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended.

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Filed herewith

\* Management contract or compensatory plan or arrangement

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**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, thereunto duly authorized.

**MANTECH INTERNATIONAL CORPORATION**

Date: May 4, 2007

By: /s/ GEORGE J. PEDERSEN  
Name: **George J. Pedersen**  
Title: **Chairman of the Board of Directors and  
Chief Executive Officer**

Date: May 4, 2007

By: /s/ KEVIN M. PHILLIPS  
Name: **Kevin M. Phillips**  
Title: **Chief Financial Officer**