

MANTECH INTERNATIONAL CORP

FORM 8-K (Current report filing)

Filed 08/02/17 for the Period Ending 08/02/17

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| Telephone | 703-218-6000 |
| CIK | 0000892537 |
| Symbol | MANT |
| SIC Code | 8741 - Management Services |
| Industry | IT Services & Consulting |
| Sector | Technology |
| Fiscal Year | 12/31 |

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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): August 2, 2017

ManTech International Corporation

(Exact name of registrant as specified in its charter)

Delaware
**(State or other jurisdiction
of incorporation)**

000-49604
**(Commission
File Number)**

22-1852179
**(IRS Employer
Identification No.)**

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

22033
(Zip Code)

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

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§203.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02 Results of Operations and Financial Condition;

Item 7.01 Regulation FD Disclosure;

Item 8.01 Other Events

On August 2, 2017, ManTech International Corporation announced its financial results for the fiscal quarter ended June 30, 2017, and provided updated financial guidance for fiscal year 2017 (the "**Earnings Release**"). ManTech also announced the declaration of a quarterly cash dividend payment to its stockholders. A dividend of \$0.21 per share will be paid on September 22, 2017 to stockholders of record as of the close of business on September 8, 2017. Any future declarations of dividend payments are subject to the determination and approval of the Board of Directors.

A copy of the Earnings Release is furnished as Exhibit 99.1 to this Current Report on Form 8-K.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

**Exhibit
No.**

Description of Exhibit

99.1 ManTech International Corporation press release, dated August 2, 2017, announcing financial results for the fiscal quarter ended June 30, 2017

SIGNATURES

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

MANTECH INTERNATIONAL CORPORATION

Date: August 2, 2017

By: /s/ Michael R. Putnam

Name: Michael R. Putnam

Title: Senior VP - Corporate & Regulatory Affairs

ManTech Announces Financial Results for Second Quarter of 2017

- **Revenues: \$414 million** , up 3.1% from second quarter of 2016
- **Operating Income: \$24.9 million** , up 3% from second quarter of 2016
- **Operating Margin: 6.0%** for the second quarter
- **Diluted EPS: \$0.40** , up 3% from second quarter of 2016
- **Book-to-Bill Ratio: 1.2** for the second quarter
- **Cash Flow from Operations: \$27 million** or 1.7 times net income

FAIRFAX, Va., August 2, 2017 (GLOBE NEWSWIRE) – ManTech International Corporation (Nasdaq:MANT), a leading provider of innovative technologies and solutions for mission-critical national security programs, today announced financial results for the second quarter of fiscal year 2017 , which ended June 30, 2017 .

"ManTech's second quarter results reflect our steadfast operational focus as exemplified by a healthy mix of new and recomplete wins, requirements expansion on existing contracts, revenue growth and strong cash flow. Additionally, all key profit metrics increased sequentially and over the prior year. With another quarter of superb execution and the increased budget potential, we remain optimistic on growth through the balance of the year," said ManTech Chairman and Chief Executive Officer George J. Pedersen.

"I am pleased with the performance of the business in 2017 thus far. We are committed to delivering the best in class, mission critical solutions and services to our customers. We remain focused on investing heavily in the business to improve our positioning and to catalyze long term sustainable growth," said ManTech President and Chief Operating Officer Kevin M. Phillips.

Summary Operating Results

Revenues for the quarter were \$413.7 million , up 3.1% from \$401.4 million in the second quarter of 2016 . Revenue growth was driven primarily by direct labor expansion on recent new awards and increased requirements on existing contracts.

Operating income for the quarter of \$24.9 million , up 3% compared to the second quarter of 2016 , representing an operating margin of 6.0% . For the quarter, net income was \$15.6 million and diluted earnings per share were \$0.40 , up 5% and 3% , respectively, compared to the second quarter of 2016 .

Cash Management and Capital Deployment

Cash flow from operations for the quarter was \$27 million or 1.7 times net income. Days sales outstanding (DSO) were 69 days, slightly higher than the second quarter of 2016 . As of June 30, 2017 , the company had \$108 million in cash and cash equivalents and no outstanding borrowings on its \$500 million revolving-credit facility, which provides the company with the financial capacity to pursue acquisitions, issue dividends and maintain a strong balance sheet.

The company paid \$8.2 million in dividends, or \$0.21 per share, to its common stockholders of record as of June 9, 2017 . The Board of Directors has declared that the company will pay a cash dividend of \$0.21 per share on September 22, 2017 , to all common stockholders of record as of September 8, 2017 , as part of its regular quarterly cash dividend program. Future declarations of dividends and their record and payment dates are subject to the final determination of ManTech's Board of Directors.

Contract Awards

Contract awards (bookings) totaled \$499 million in the quarter, representing a book-to-bill ratio of 1.2 . Approximately 31% of the awards were for new business. Over the trailing 12 months, the book-to-bill ratio is 1.6 . Large, single-award contracts contributing to the quarterly bookings include:

- **Full-Spectrum Security, IT and Business Management Support to the U.S. Air Force.** ManTech received expansions on existing contracts and was awarded a new contract to support the Air Force collectively totaling \$124 million.
- **Warfare Analysis, Engineering and Technical Support Services to the Naval Air Systems Command (NAVAIR).** ManTech was awarded a 5-year contract totaling \$80 million to continue providing NAVAIR with warfare analysis and assessment, acquisition analysis and support, modeling and simulation, weapon system technical publications and training, software development, data handling and warfare analysis laboratory services.
- **Defense Advanced Research Projects Agency (DARPA) Strategic Technology Office (STO) Support.** ManTech was awarded a 5-year, \$200 million multiple-award IDIQ contract to provide integrated systems engineering, scientific, technical, financial, programmatic and administrative support to the leading edge technology programs and mission of the DARPA STO. Based on historical levels of support under the predecessor contract, the company allocated \$40 million to bookings.
- **Reliability and Maintainability Engineering and Technical Support to NAVAIR.** ManTech was awarded a 5-year contract totaling \$40 million to continue providing NAVAIR reliability, maintainability, systems safety, diagnostics and testability support of Naval aircraft and their subsystems.
- **Fleet Support to the Naval Surface Warfare Center Dahlgren Division (NSWCDD).** ManTech was awarded a 5-year contract totaling \$39 million to continue supporting NSWCDD's computer build and installation program and documentation management capability to weapons and combat systems.

Additional contract awards in the quarter include several modifications to expand or extend existing contracts and new contracts from classified customers.

The company's backlog of business at the end of quarter was \$4.9 billion ; funded backlog was \$1.1 billion .

Forward Guidance

The company is maintaining the previously communicated range on expected revenue, and is narrowing and raising the range of its net income and diluted earnings per share. ManTech expects revenue, net income, and diluted earnings per share as specified in the table below.

| Measure | Fiscal 2017 Guidance |
|----------------------------|-----------------------------|
| Revenue (billion) | \$1.65 - \$1.70 |
| Net Income (million) | \$58.0 - \$59.7 |
| Diluted Earnings per Share | \$1.48 - \$1.53 |

ManTech Chief Financial Officer Judith L. Bjornaas said, "I am pleased with the strong performance in the second quarter. We look forward to the outcome of our robust proposal activity and continued growth of the business. Our capital deployment will continue to be focused on disciplined acquisitions that enhance our competitive positioning and support long-term growth."

Conference Call

ManTech executive management will hold a conference call on August 2, 2017, at 5 p.m. Eastern to discuss the financial results and outlook and answer questions. Analysts may participate on the conference call by dialing 877-638-9567 (domestic) or 253-237-1032 (international) and entering passcode 44579439. The conference call will be webcast simultaneously to the public through a link on the Investor Relations section of the ManTech website (<http://investor.mantech.com>). A replay of the conference call will be available on the ManTech website approximately 2 hours after the conclusion of the conference call.

About ManTech International Corporation

ManTech provides innovative technologies and solutions for mission-critical national security programs for the intelligence community; the departments of Defense, State, Homeland Security, Health and Human Services, Veteran Affairs and Justice, including the Federal Bureau of Investigation (FBI); the health and space community; and other U.S. government customers. ManTech's expertise includes cybersecurity; software and systems development; enterprise information technology; multi-discipline intelligence; command, control, communications, computers, intelligence, surveillance and reconnaissance (C4ISR); program protection and mission assurance; systems engineering; supply chain management and logistics; test and evaluation (T&E); training; and management consulting. Additional information on ManTech can be found at www.mantech.com.

Forward-Looking Information

Statements and assumptions made in this press release, which do not address historical facts, constitute "forward-looking" statements that ManTech believes to be within the definition in the Private Securities Litigation Reform Act of 1995 and involve risks and uncertainties, many of which are outside of our control. Words such as "may," "will," "expect," "intend," "anticipate," "believe," "estimate," or "plan," or the negative of these terms or words of similar import are intended to identify forward-looking statements.

These forward-looking statements are inherently subject to risks and uncertainties, and actual results and outcomes may differ materially from the results and outcomes we anticipate. Factors that could cause actual results to differ materially from the results we anticipate, include, but are not limited to, the following: failure to maintain our relationship with the U.S. government, or failure to compete effectively for new contract awards or to retain existing U.S. government contracts; issues relating to competing effectively for awards procured through the competitive bidding process, including the adverse impact of delay caused by competitors' protests of contracts awards received by us; inability to recruit and retain sufficient number of employees with specialized skill sets who are in great demand and limited supply; adverse changes in U.S. government spending for programs we support, whether due to changing mission priorities, socio-economic policies that reduce the contracts that we may bid on, cost reduction and efficiency initiatives by our customers, or other federal budget constraints generally; failure to obtain option awards, task orders or funding under contracts; increased exposure to risks associated with conducting business internationally; failure to realize the full amount of our backlog or adverse changes in the timing of receipt of revenues under contracts included in backlog; renegotiation, modification or termination of our contracts, or failure to perform in conformity with contract terms or our expectations; disruption of our business or damage to our reputation resulting from security breaches in customer systems, internal systems or services failures (including as a result of cyber or other security threats), or employee or subcontractor misconduct; failure to successfully integrate acquired companies or businesses into our operations or to realize any accretive or synergistic effects from such acquisitions; adverse changes in business conditions that may cause our investments in recorded goodwill to become impaired; non-compliance with, or adverse changes in, complex U.S. government laws, procurement regulations or processes; and adverse results of U.S. government audits or other investigations of our government contracts. These and other risk factors are more fully discussed in the section entitled "Risk Factors" in ManTech's Annual Report on Form 10-K previously filed with the Securities and Exchange Commission on Feb. 22, 2017, Item 1A of Part II of our Quarterly Reports on Form 10-Q, and, from time to time, in ManTech's other filings with the Securities and Exchange Commission.

The forward-looking statements included herein are only made as of the date of this press release, and ManTech undertakes no obligation to publicly update any of the forward-looking statements made herein, whether as a result of new information, subsequent events or circumstances, changes in expectations or otherwise.

MANTECH INTERNATIONAL CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(In Thousands Except Share and Per Share Amounts)

| | (unaudited) | |
|--|---------------------|----------------------|
| | June 30, 2017 | December 31, 2016 |
| ASSETS | | |
| Cash and cash equivalents | \$ 108,210 | \$ 64,936 |
| Receivables—net | 318,128 | 320,677 |
| Prepaid expenses and other | 30,771 | 34,423 |
| Contractual inventory | 2,515 | 1,277 |
| Total Current Assets | 459,624 | 421,313 |
| Goodwill | 955,874 | 955,874 |
| Other intangible assets—net | 146,318 | 154,931 |
| Employee supplemental savings plan assets | 31,455 | 29,383 |
| Property and equipment—net | 23,595 | 23,121 |
| Investments | 11,808 | 11,691 |
| Other assets | 2,199 | 2,151 |
| TOTAL ASSETS | \$ 1,630,873 | \$ 1,598,464 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| LIABILITIES | | |
| Accounts payable and accrued expenses | \$ 104,143 | \$ 108,888 |
| Accrued salaries and related expenses | 78,585 | 70,768 |
| Billings in excess of revenue earned | 13,948 | 11,998 |
| Total Current Liabilities | 196,676 | 191,654 |
| Deferred income taxes | 129,960 | 122,081 |
| Accrued retirement | 31,081 | 30,581 |
| Other long-term liabilities | 11,721 | 12,481 |
| TOTAL LIABILITIES | 369,438 | 356,797 |
| COMMITMENTS AND CONTINGENCIES | | |
| STOCKHOLDERS' EQUITY | | |
| Common stock, Class A—\$0.01 par value; 150,000,000 shares authorized; 25,922,608 and 25,795,973 shares issued at June 30, 2017 and December 31, 2016; 25,678,495 and 25,551,860 shares outstanding at June 30, 2017 and December 31, 2016 | 259 | 258 |
| Common stock, Class B—\$0.01 par value; 50,000,000 shares authorized; 13,190,745 and 13,190,745 shares issued and outstanding at June 30, 2017 and December 31, 2016 | 132 | 132 |
| Additional paid-in capital | 477,545 | 471,906 |
| Treasury stock, 244,113 and 244,113 shares at cost at June 30, 2017 and December 31, 2016 | (9,158) | (9,158) |
| Retained earnings | 792,883 | 778,710 |
| Accumulated other comprehensive loss | (226) | (181) |
| TOTAL STOCKHOLDERS' EQUITY | 1,261,435 | 1,241,667 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 1,630,873 | \$ 1,598,464 |

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

| | (unaudited) Three months ended June 30, | | (unaudited) Six months ended June 30, | |
|---|---|------------------|---|------------------|
| | 2017 | 2016 | 2017 | 2016 |
| REVENUES | \$ 413,694 | \$ 401,354 | \$ 832,068 | \$ 792,016 |
| Cost of services | 350,674 | 341,511 | 707,721 | 675,025 |
| General and administrative expenses | 38,085 | 35,629 | 75,022 | 70,832 |
| OPERATING INCOME | 24,935 | 24,214 | 49,325 | 46,159 |
| Interest expense | (317) | (306) | (611) | (595) |
| Interest income | 28 | 19 | 52 | 63 |
| Other income (expense), net | 5 | 45 | 44 | 53 |
| INCOME FROM OPERATIONS BEFORE INCOME TAXES AND EQUITY METHOD INVESTMENTS | 24,651 | 23,972 | 48,810 | 45,680 |
| Provision for income taxes | (9,126) | (9,250) | (18,226) | (17,810) |
| Equity in gains of unconsolidated subsidiaries | 36 | 60 | 5 | 128 |
| NET INCOME | <u>\$ 15,561</u> | <u>\$ 14,782</u> | <u>\$ 30,589</u> | <u>\$ 27,998</u> |
| BASIC EARNINGS PER SHARE: | | | | |
| Class A common stock | \$ 0.40 | \$ 0.39 | \$ 0.79 | \$ 0.74 |
| Class B common stock | \$ 0.40 | \$ 0.39 | \$ 0.79 | \$ 0.74 |
| DILUTED EARNINGS PER SHARE: | | | | |
| Class A common stock | \$ 0.40 | \$ 0.39 | \$ 0.78 | \$ 0.74 |
| Class B common stock | \$ 0.40 | \$ 0.39 | \$ 0.78 | \$ 0.74 |

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

| | (unaudited) Six months ended June 30, | |
|---|---|------------------|
| | 2017 | 2016 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | \$ 30,589 | \$ 27,998 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 15,522 | 15,150 |
| Deferred income taxes | 7,951 | 9,090 |
| Stock-based compensation | 2,256 | 1,291 |
| Equity in gains of unconsolidated subsidiaries | (5) | (128) |
| Excess tax benefits from exercise of stock options | — | (421) |
| Change in assets and liabilities—net of effects from acquired businesses: | | |
| Receivables—net | 2,491 | 5,149 |
| Prepaid expenses and other | 3,769 | (830) |
| Contractual inventory | (1,238) | — |
| Employee supplemental savings plan asset | (2,072) | (590) |
| Accounts payable and accrued expenses | (4,718) | (10,679) |
| Accrued salaries and related expenses | 7,809 | 3,724 |
| Billings in excess of revenue earned | 1,624 | 2,619 |
| Accrued retirement | 500 | (1,617) |
| Other | (1,174) | 430 |
| Net cash flow from operating activities | 63,304 | 51,186 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of property and equipment | (4,385) | (3,346) |
| Investment in capitalized software for internal use | (2,537) | (740) |
| Proceeds from previous acquisition | 112 | — |
| Payments to acquire investments | (110) | (201) |
| Acquisition of businesses—net of cash acquired | — | (47,682) |
| Net cash flow from investing activities | (6,920) | (51,969) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Dividends paid | (16,308) | (15,927) |
| Proceeds from exercise of stock options | 3,198 | 15,092 |
| Excess tax benefits from exercise of stock options | — | 421 |
| Net cash flow from financing activities | (13,110) | (414) |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | 43,274 | (1,197) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | 64,936 | 41,314 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | \$ 108,210 | \$ 40,117 |

ManTech-F

ManTech International Corporation

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