

Dynamics Research Corp. (DRC) to buy Kadix Systems LLC

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Kadix Systems will exit the 8(a) business development program earlier than April 2012.

Announced **today**, DRC (NASDAQ:DRCO) will acquire **Kadix Systems LLC** of Arlington, VA for at least \$42 million.

Valuation

In 2007 Kadix reported revenue of \$23 million and net income of \$3.8 million, **according to the company**. With consideration of at least \$42 million, Kadix earns a very attractive multiple of at least 1.8x 2007 revenue.

No small feat, Kadix is CMMI Level 3 certified. DRC is also CMMI Level 3.

Civilian and Homeland Security Gains

With this acquisition DRC gains ground in civilian agencies to complement its defense presence, a move to strengthen civilian market share that is becoming more common as vendors position for war spending and administration changes. DRC's top 4 customers are in defense, accounting for **over 85%** of its FY07 reported prime obligations.

Kadix will jump start DRC's \$2M to \$3M per year DHS prime business. Roughly half of Kadix's FY07 prime obligations are from Homeland Security. While both have prime contracts on DHS' go-to **EAGLE** contract vehicle, Kadix has had more success with it and also has a seat on DHS' new **Program Management Support Services (PMSS)** contract.

Kadix Prime Contracting Growth

Strong prime obligations growth in last 5 years (Kadix entered the 8(a) program in April 2003):

Fiscal Year	\$K
2003	\$1,689
2004	\$7,374
2005	\$9,039
2006	\$14,920
2007	\$25,285

Source: [GovWin FPDS Vendor Profiles](#)