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IT Deal Earns Private Equity Firm \$700m

by James Politi in New York

DECEMBER 15, 2005 — Anteon's \$2.1bn sale to General Dynamics means massive profit for Caxton-Iseman on \$32m investment

CI Capital Partners, a mid-sized US private equity group, yesterday completed an extremely lucrative buy-out when Anteon International, an information technology group that counts as one of its investments, agreed to be sold to General Dynamics, the defence contractor, for \$2.1bn in cash.

After yesterday's deal, CI Capital Partners's \$32.5m bet - which dates back to the late 1990s - will have returned more than \$700m to the private equity firm, which took Anteon public in 2002 and has since reduced its stake to about 6 per cent.

In recent years, much of the attention in the private equity industry has been centred on the big pay-outs to investors from the biggest firms that buy and sell companies for a profit, such as Kohlberg Kravis Roberts, Blackstone and Bain Capital.

But below that level, dozens of smaller firms are battling to secure deals such as Caxton-Iseman's - which has produced a return of more than 20 times the money it invested.

Nine years ago, Caxton-Iseman joined forces with Joe Kampf, Anteon's chief executive, to take over what at the time was a small but promising supplier of IT services to the US government. CI Capital Partners's initial equity cheque was only worth \$10m, to which, in 1999, it added a further \$22.5m. Mr. Kampf and Anteon's senior management invested alongside CI Capital Partners and are also expected to record a massive pay-out in the sale to General Dynamics.

Under CI Capital Partners's stewardship, Anteon's revenues climbed from about \$110m to \$1.5bn as the company grew organically and pushed through a series of small acquisitions. Following the initial public offering, Anteon shares rode the wave of soaring valuations in the defence industry, jumping from \$18 at the listing to \$54.02 last night, slightly below the \$55.50 offered by General Dynamics. The bid represents a 36 per cent premium to Anteon's closing share price on Tuesday.

Fred Iseman, CI Capital Partners president, said he was "very proud" of the investment and Anteon's growth. "We are fortunate to have partnered in this transaction with Joe Kampf, who shared our vision of the significant consolidation potential of the small company we acquired in 1996," he said.

The deal will rank as the most lucrative in the history of CI Capital Partners, which has about \$2bn under management and was formed in 1993 when Mr Iseman secured the backing of Bruce Kovner, the hedge fund manager that owns Caxton Corporation.

In an unusual structure for the private equity industry, where many funds are raised with contributions from institutional investors such as pensions funds, Mr Kovner's Caxton is Caxton-Iseman's only investor.