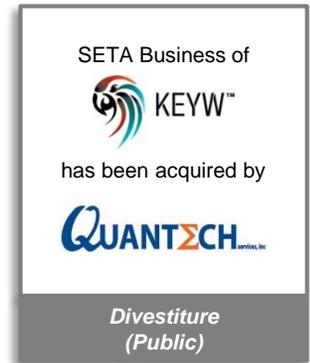




BLUESTONE CAPITAL PARTNERS ADVISES KEYW CORPORATION IN THE DIVESTITURE OF ITS SETA BUSINESS

On March 14, 2016, KEYW Corporation announced the completed sale of its Systems Engineering and Technical Assistance (“SETA” or the “Company”) business unit to Quantech Services, Inc. SETA is a leading provider of information assurance, data fusion, and Communication Security (“COMSEC”) services to the Intelligence Community (“IC”). The Company offers comprehensive systems engineering, technical, programmatic, and mission support capabilities to solve highly complex national security challenges in areas of Signals Intelligence (“SIGINT”), Imagery Intelligence (“IMINT”), and Measurement and Signature Intelligence (“MASINT”); intelligence collection and analysis; and communications and networking.



This transaction highlights several Merger and Acquisition (“M&A”) trends in the defense and government services sector, including:

- **Continuation of Portfolio Shaping:** To compete in today’s market, government contractors with diversified portfolios (services and products) have reached a strategic inflection point that is causing them to examine their portfolios and focus growth strategies on “core” capabilities. The divestiture path is a frequent outcome of these strategic review efforts. Over the past nine months alone, leading market participants such as Lockheed Martin, L-3, CSC, and KEYW have divested over \$11 billion in annual revenues. Many of these companies have faced similar challenges of concurrently operating different business models (namely, products and services) under one umbrella, while maintaining competitive cost structures across their organizations. The divestiture of KEYW’s SETA business was highly strategic, as it de-conflicts KEYW at two key intelligence agencies (NRO and NSA) and focuses the business around the development and delivery of mission-focused technology solutions to the IC. Concurrently, the acquisition brings Quantech additional scale, prime contract past performance within the IC, and access to new customers, while at the same time enabling SETA to flourish within an organization that shares the same strategic vision.
- **Emergence of New Middle-Market Buyers:** Consolidation among the larger contractors (e.g., CSC/SRA and Leidos/Lockheed) is creating pressure on the next tier of companies to consider mergers (e.g., Salient / CRGT) and/or acquisitions in order to build scale and to remain cost competitive with the rest of the market. As the upper tier of the market continues to redefine the market’s critical mass threshold and move upstream through larger transactions, new consolidators are emerging to fill the growing void in the middle market. Recent transactions by companies such as SOSi, Oasis Systems, Quantech, Preferred Systems Solutions (PSS), Vistrionix, and Braxton Science and Technology Group suggest that these companies have confidence that government customers will continue to value highly qualified, nimbler alternatives to the behemoths that are being created through the current drive toward critical mass. Looking ahead, Bluestone believes the reorganization among the large tier players will continue to drive M&A activity across all levels of the market.

This transaction exemplifies several additional priorities and objectives driving acquirers’ interests in today’s M&A market, including gaining access to prime contracts, expanding their base of highly credentialed employees, and increasingly moving closer to their customers’ missions. Bluestone and KEYW effectively leveraged these attractive dynamics to execute a highly competitive and efficient transaction process that resulted in a signed asset purchase agreement in less than 60 days from commencement of the process.

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