



# CEOCFO

## Interviews & News!

ceocfointerviews.com – All rights reserved. – Issue: October 3, 2008

### With Much Of The World Moving To A Services-Based Economy And Many Of The Services Oriented Organizations Being Project Based Businesses, Deltek Is In The Right Place At The Right Time With Their Mission-Critical Enterprise Software



Technology  
Application Software  
(PROJ-NASDAQ)

Deltek, Inc.

13880 Dulles Corner Lane  
Herndon, VA 20171  
Phone: 703-734-8606



**Kevin Parker**  
Chairman, President and CEO

#### BIO:

Kevin Parker, President and CEO, Chairman of the Board, is a recognized technology industry leader and the driving force behind Deltek's client-focused strategy of providing superior enterprise software, solutions and consulting to project-based businesses worldwide. Leading more than 1000 employees in twelve offices worldwide,

Parker looks to further Deltek's industry leadership, expertise and product portfolio in a range of industries including architecture, engineering and construction; government contracting; accounting; aerospace and defense; consulting and planning; IT services and management consulting; professional services; project manufacturing; nonprofit; and systems integration.

Prior to Deltek, Parker served as PeopleSoft's CFO from October 2000 to December 2004. He was also named co-president of PeopleSoft in October 2004. At PeopleSoft he was responsible for internal operations as well as worldwide finance and accounting functions, including administration, human resources, legal, facilities and the IT organization worldwide. During his tenure at PeopleSoft, the company significantly improved its margins, increased its cash flow and return on investments, reduced expenses and lowered days sales outstanding (DSO) to best in class levels. Prior to joining PeopleSoft, Parker served as senior vice president and chief financial officer for CRM provider Aspect Communications Corp., as well as held senior management positions at Fujitsu Computer Products of America, Standard Microsystems and Toshiba America. In addition, Parker was previously with the accounting firm of Price Waterhouse.

Parker is a Henry Crown Fellow at the Aspen Institute. In 2000, CFO Magazine named him one of 20 CFOs who would make a difference in the next decade. He received his bachelor's degree in accounting from Clarkson University where he serves on the Board of Trustees.

Parker also serves on the Board of Directors for Polycorn, Inc., a leading provider of unified collaborative communications solutions.

#### Company Profile:

Deltek (NASDAQ:PROJ) is the leading provider of enterprise applications software designed specifically for project-focused businesses. For more than two decades, our software applications have enabled organizations to automate mission-critical business processes around the engagement, execution and delivery of projects. More than 12,000 customers worldwide rely on Deltek to measure business results, optimize performance, streamline operations and win new business.

Interview conducted by:  
Lynn Fosse, Senior Editor  
CEOCFOinterviews.com

**CEOCFO:** Mr. Parker, how has Deltek changed under your leadership?

**Mr. Parker:** "Deltek has changed quite a bit in many profound ways. Deltek was 25 years old this summer and for the last 22 or 23 of the 25 years, it was a family run business, owned and operated. They built a very successful organization focused on the software needs of project oriented businesses. In the last three years we've transitioned from a very successful family run business to a publicly traded company, and we've doubled in size the number of employees and revenues. We have a much different sense of our destiny that the family run business had 3 years ago. We're expanding into new vertical markets and geographies and it's been a very exciting transition building on an already successful business."

**CEOCFO:** Please tell us a bit about what you provide and to whom you are providing it?

**Mr. Parker:** “Deltek provides what’s referred to as enterprise software and we are the software provider that has a very unique focus. We focus exclusively on project-oriented businesses, and our software allows our customers to effectively run and manage their businesses. It does everything from allowing them to account for their finances, bill their customers, pay their employees, win new business and track revenue, costs and profitability all in very sophisticated project-oriented world. Many of our customers are very complex government contractors either providing services or building things for the federal government. We also have a very large footprint in the architectural and engineering firms in the United States, with approximately 80% of the top 500 A&E design firms being Deltek customers. We offer mission-critical software that is really focused at the heart of how these companies are run and operated and we have a very large installed base of customers, with over 12,000 customers today.”

**CEOCFO:** What are the special challenges in project management that requires very special software, and what is the competitive landscape?

**Mr. Parker:** “The challenges are numerous and I think that there is a degree of sophistication that it takes to run a company that is different than in the widget oriented world which we might characterize traditional enterprise software coming from. In that widget world, you ship something to a customer, you get to recognize revenue, you build, and you recognize profits associated with that. In the project-oriented world, you could be working on something that has a unit volume of 1 and takes 4 or 5 years to build. Yet on those interim periods, you still need to recognize revenue and understand profitability in your budgeting and planning process. A good example of this is Orbital Sciences, a customer of ours that builds satellites. Satellites have

a life expectancy of 10 years and might take 3-5 years to build, costing millions of dollars, yet they need our software to understand how their business is operating in a way that a traditional manufacturer doesn’t even begin to think about, which gives us a very unique value proposition. We’re the only company I know that has this project-based focus as part of our DNA. The company was originally built with this in mind. Everybody else comes into the market with some sort of hybrid or customization or some sort of capability that wasn’t really designed to handle projects but tries to compete in our market. We have such an enormous subject matter expertise around

**“Another area I would highlight is Deltek’s unique value proposition for project oriented businesses. Our 25 years of industry expertise is not easily replicated by anyone else in the marketplace. The world is moving to a services-based economy and many of the services oriented organizations are project based businesses. The appetite, for project-oriented software continues to grow. On a worldwide basis, we see that market being somewhere in the \$17 to \$18 billion range right now, so there is a very large market for companies like ours. We take a great deal of pride in our business and we are very focused on our part of the economy that desperately needs a solution like ours.”**

**- Kevin Parker**

it and we’re clearly seen as the market leader in the project-focused, enterprise software market.”

**CEOCFO:** What is the revenue model for you?

**Mr. Parker:** “We sell primarily on a perpetual license basis, sort of classic enterprise software. People buy a perpetual license and generally buy professional services from us to help with the implementation and installation of the software and then they pay a yearly maintenance fee for software upgrades and support. Our revenue in any particular quarter is fairly evenly split between licenses, services and support and is generated from both new and existing customers.”

**CEOCFO:** Do you customize or is it strictly off-the-shelf?

**Mr. Parker:** “Ninety-nine percent of what we provide is out-of-the-box functionality, and in fact one of the distinct advantages that we have is that customers can be up and running with our applications very quickly. We will offer some customization services to those companies that want some company specific functionality but most of our customers use our software out-of-the-box.”

**CEOCFO:** Where are you geographically, and are there areas where you would like to have more penetration?

**Mr. Parker:** “We historically and predominantly operate in the United States. I would say up until 2 or 3 years ago, 98% of our revenues came from the US and Canada. We’ve been expanding geographically since then and we have operations in the Australian marketplace where we see a very big opportunity. We also have a reach into Europe now with a presence in the UK market. In fact, in some of our recent quarters international revenues have accounted for about 7-10% of our license revenues. We would like to see that grow and see international revenues over the next several years account for over 25% of our license revenues. Where we have

that beachhead started, the next opportunity for us is really continental Europe. Our company had never translated it’s applications into any foreign languages historically, so we’ve been limited to the English speaking world. However, by this time next year hopefully we’ll have several foreign languages in the marketplace, which will allow us to expand from the UK into continental Europe.”

**CEOCFO:** Do you work directly with your customers or is it through distributors and partners?

**Mr. Parker:** “The majority of what we do is direct and historically we had a very partner unfriendly model and 99-100% of our revenues were direct. We’ve since embraced the partner community and in the most recent quarter 17% of our li-

cense revenue came from partners, many of which we worked with for the first time. We see partners as a very important part of the ecosystem; they are building businesses around our applications, so it's a great opportunity to expand the reach of our sales force. However, we will probably never get to a predominantly partner model; because we think there's still plenty of room for us to have a direct relationship with our customers, particularly some of the larger ones. Partners are an important 'force multiplier', for Deltek."

**CEOCFO:** Are acquisitions something you do and look to do in the future?

**Mr. Parker:** "Absolutely. We have such a specialized focus on the project oriented market and our customer's needs are so specific and unique. Acquisitions are an important part of our ability to serve them and it has contributed to our growth as well. We have made six acquisitions in the last 36 months. Most recently, we announced our acquisition of the MPM from Planview, which adds to our earned value management (EVM) product suite and further solidifies our position as the EVM market leader. I would also suspect that in the future we'll announce other acquisitions that are a strong strategic fit with our existing operations, expand or add product functionality or add new products to our portfolio. This has been a part of what we have been doing, but it hasn't been a large part of our growth. The majority of our growth, 80% or more has been organic. However, it is a great opportunity to expand our product capabilities and we'll be doing more of it."

**CEOCFO:** What is the financial picture like today?

**Mr. Parker:** "Very good. We recently completed our second quarter and we announced our results a few weeks back. For Q2, we saw our license revenues grow more than 17%. Our total revenues on a year-over-year grew more than 13%. We saw record revenues in total, so we've been doing quite well and expect the future to be very good for us as well. Over the long term, we said that we would expect double-digit revenue growth. We're

very optimistic about our future since we have a lot of opportunities in front of us."

**CEOCFO:** Does the current economic scenario help or hurt you?

**Mr. Parker:** "Well it's certainly made it more challenging. If you think about Deltek, roughly half of our customers are somehow involved in the federal contracting community, not just in The Department of Defense (DoD), but The Department of Energy, FHA, FAA, and a variety of other agencies. We don't do business with the federal government directly, but many of our customers do and if you were to talk to them, they would say that their view of the spending environment is very robust. They see the federal government doing more, spending more and they are beneficiaries of that, which generally benefits us down the road. On the other side of the business, I think it is fair to say the current economic uncertainty has made their lives a bit more difficult. They may not be affected by it directly and we work with a very diverse group of customers, but some of our non-government contracting customers have been impacted by the economic slowdown. So, we've seen that impact their intentions with us and we think we're still successful in spite of that. We're not expecting a quick turnaround of the economy, but we can be successful even in today's environment."

**CEOCFO:** Has the investment community recognized the good things that are going on with Deltek?

**Mr. Parker:** "They have and I think we're very fortunate that there's a variety of folks that have understood the message. There are a few folks in particular, people like Corey Tobin from William Blair and Phil Rueppel from Wachovia who have written about our success and market leadership position. I think the investment community understands our unique value proposition, and is very supportive of the direction we are heading. In addition, I think they are recognizing that the current economy will affect companies in different ways and they are expecting us to be successful in today's environment and a economic turn-

around would certainly accelerate some portions of our business."

**CEOCFO:** Why should investors be interested and what might they miss that should be understood about Deltek?

**Mr. Parker:** "There are 2 or 3 things that I would point out; one is the software marketplace that we operate in. We generally sell to small and mid-sized companies, which is the fast growing segment of the market. Over 90% of our customers have fewer than 1,000 employees; however, we do also sell to large customers like Lockheed Martin and Boeing, but predominately we are in the small-end of the market where large software companies like SAP and Oracle have been unsuccessful. Another area I would highlight is Deltek's unique value proposition for project oriented businesses. Our 25 years of industry expertise is not easily replicated by anyone else in the marketplace. The world is moving to a services-based economy and many of the services oriented organizations are project based businesses. The appetite, for project-oriented software continues to grow. On a worldwide basis, we see that market being somewhere in the \$17 to \$18 billion range right now, so there is a very large market for companies like ours. We take a great deal of pride in our business and we are very focused on our part of the economy that desperately needs a solution like ours."

**CEOCFO:** Final thoughts, what should people reading about Deltek remember most?

**Mr. Parker:** "It is really our project oriented expertise that many companies cannot do without. We have a great deal of customer loyalty; we have been in business for 25 years, and we have a very strong business model. Our company is extremely healthy, profitable, growing, cash flow positive and has a very bright and promising future from our perspective."



**Deltek, Inc.**  
**13880 Dulles Corner Lane**  
**Herndon, VA 20171**  
**Phone: 703-734-8606**