



Bid Now, Win Later:

Designing a Profitable Pipeline

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The Wrong Way to Build Your Pipeline...

- Chase every shiny object whenever one appears
- Pursue work only considering the dollar value of contract awards
- Pursuing work that may lead to bad CPARS
- Pursue contracts that may bankrupt your company
- Failing to target potential customers that are the appropriate target for your firm



The Right Way to Build Your Pipeline...

- Ensuring that your company is prepared to execute the contracts you are bidding
- Ensuring that your company has the financial wherewithal to preform the contract
- Ensuring that your management has the bandwidth to perform the contract



Today's Presentation

- Part One:** **The Three Components of a successful Government Contractor**
- Part Two:** **Developing and executing your strategy in regard to building your pipeline**
- Part Three:** **The good news**
- Part Four:** **Conclusion**



Part One

The three components of a successful Government Contractor



Get this right.....

Before starting to build your pipeline.



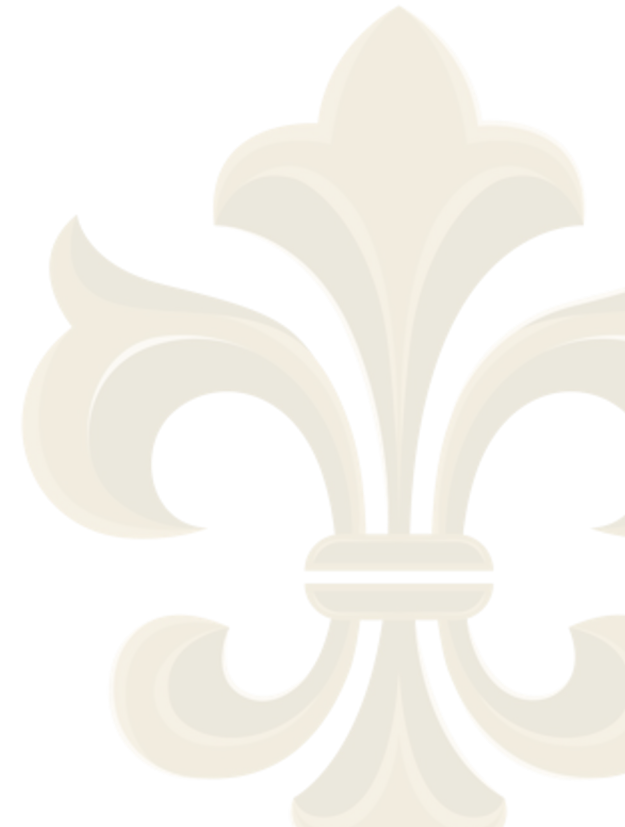
There are three components of a successful government contractor

- Contract Operations
- Back Office
- Business Development



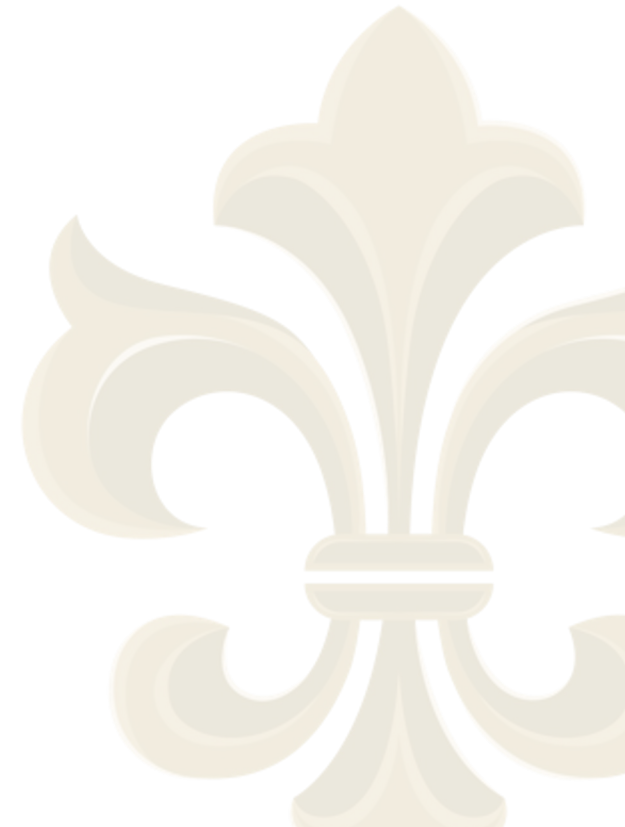
Contract Operations

- Execution of the contract
- Strong Program Management
- Safety, quality, and environmental compliance
- Accurate Submittals
- Generating good CPARs
- Generating profits
- Ensuring that your teammates make profits



Back Office

- Cash management and financial statements
- Accounts payable and receivable
- Human Resources and Payroll
- Audits
- SBA compliance
- Security clearance



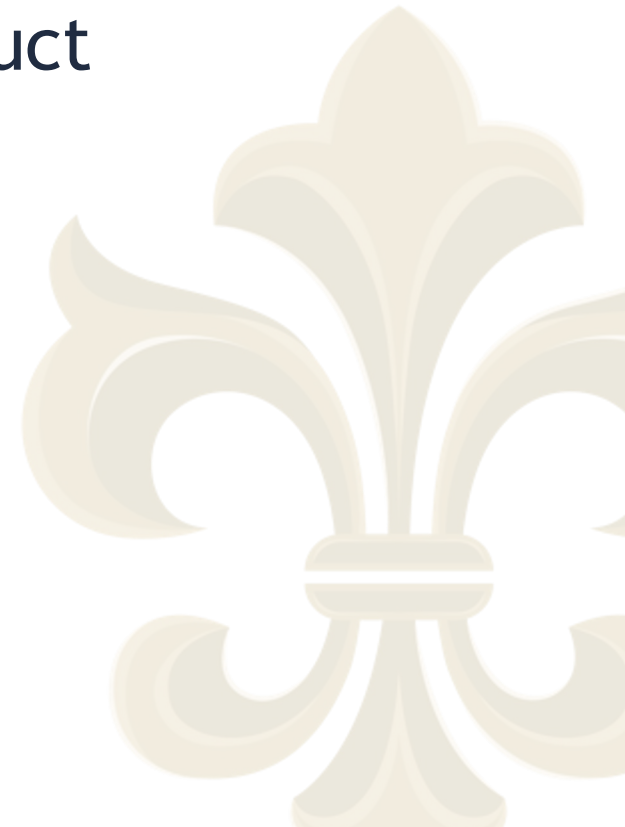
Business Development

- Maintaining focus
- Bidding the correct solicitations
- Building winning teams
- Entering into good teaming agreements
- Writing good proposals
- Pricing correctly and identifying risk



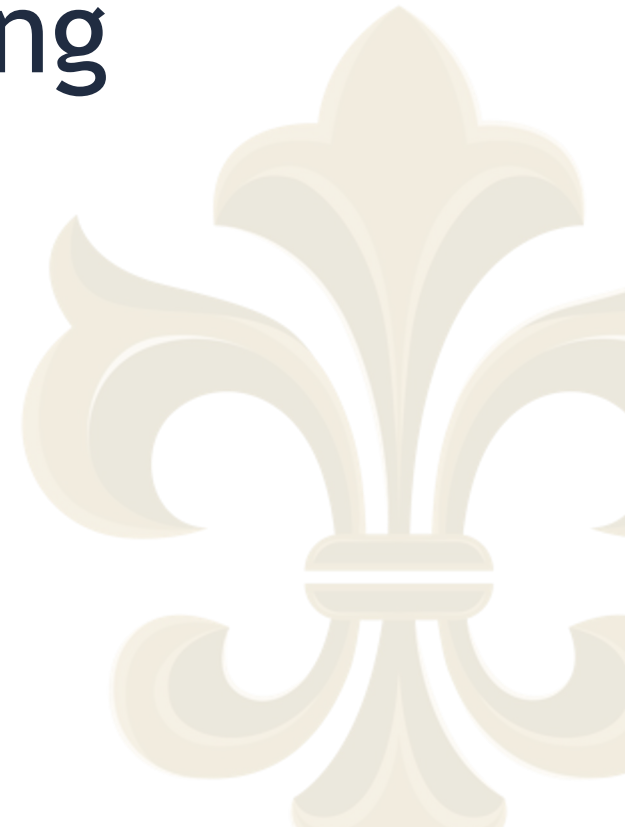
We will not start our discussion regarding building your pipeline until..

- We determine what sector of the industry you will build your pipeline in.
- We determine that a market exists for your product or service.
- We determine that your cost structure can produce competitive prices for that market.
- We determine which buyers align with your past performance.



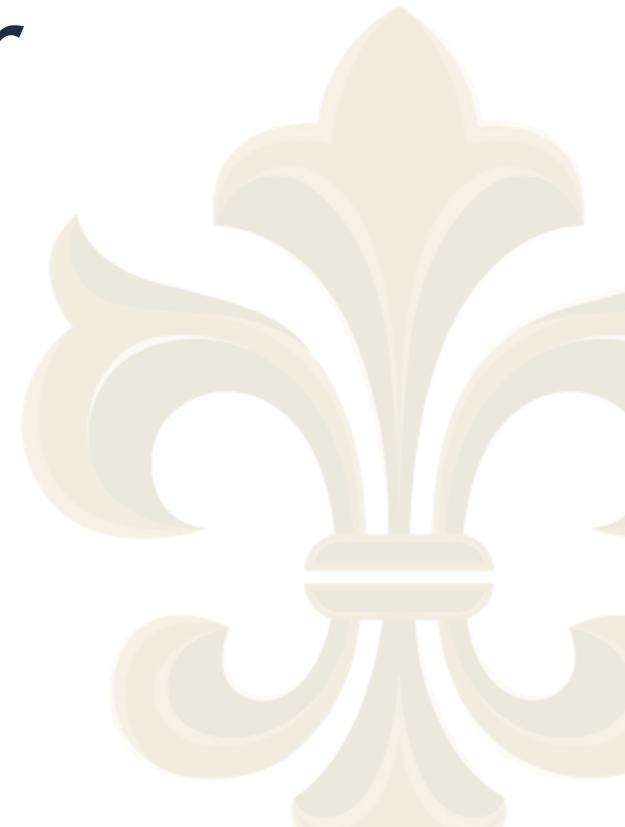
**We want to swim with the
current not against the current**

**There are no extra points for doing
it the hard way.**



Part Two

Developing and executing your strategy



Developing your strategy

- Validating that a market exists for your product or services
- Validating that funding exists for your product or service
- Validating that a contracting vehicle exists for your product or service
- Validate that you are qualified to bid (past performance, security clearances, schedules, etc.)
- Validate that you can deliver service at prevailing prices
- Validate that you have and can communicate a reason for customers to select your company
- Understand the direction of the market



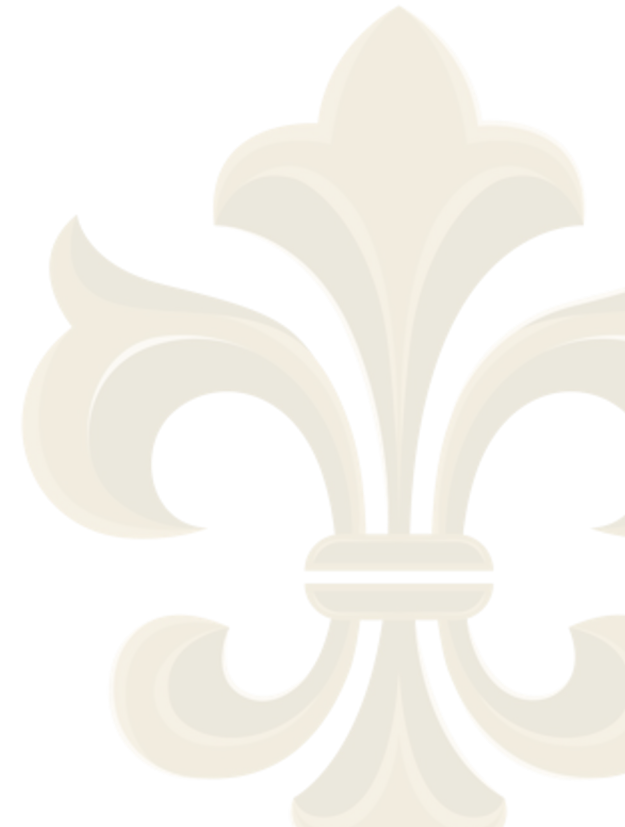
Developing your strategy

- Building a business plan
- Building a detailed budget
- Projections - cash and accrual basis
- Building a (realistic) timeline
- Anticipating potential problems



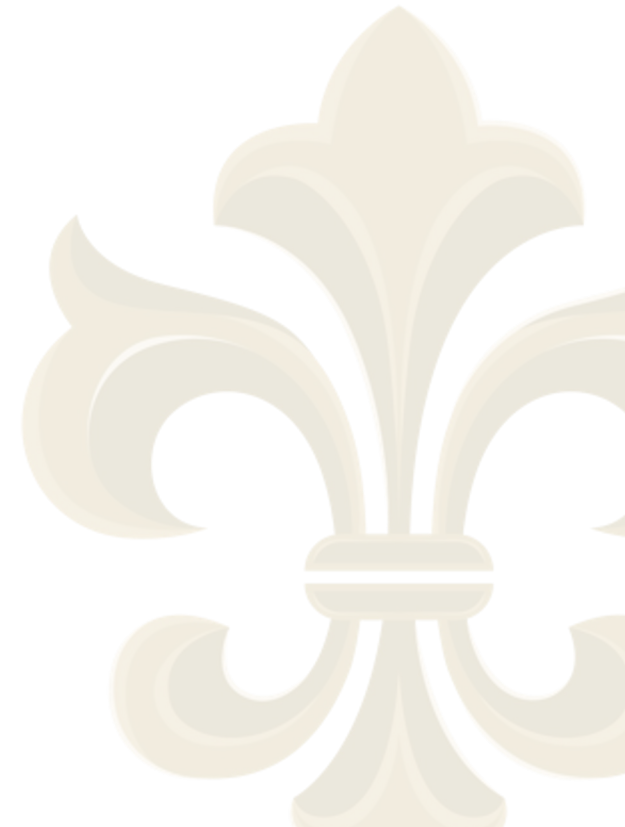
Executing your strategy

- Recruiting your team
- Identifying solicitations (prime and sub) to pursue
- Obtaining certifications to allow you to bid
- Identifying teaming partners
- Negotiating solid teaming agreements
- Starting to bid, bid, bid, but with discipline



Executing your strategy

- Have a budget on a cash basis
- Have a budget on an accrual basis
- Have a cash flow budget
- Have a strong accounting system
- Ensure that your project site accounting and headquarters accounting are in sync.
- Validate that your subcontractors are doing all of these items so they won't get into trouble



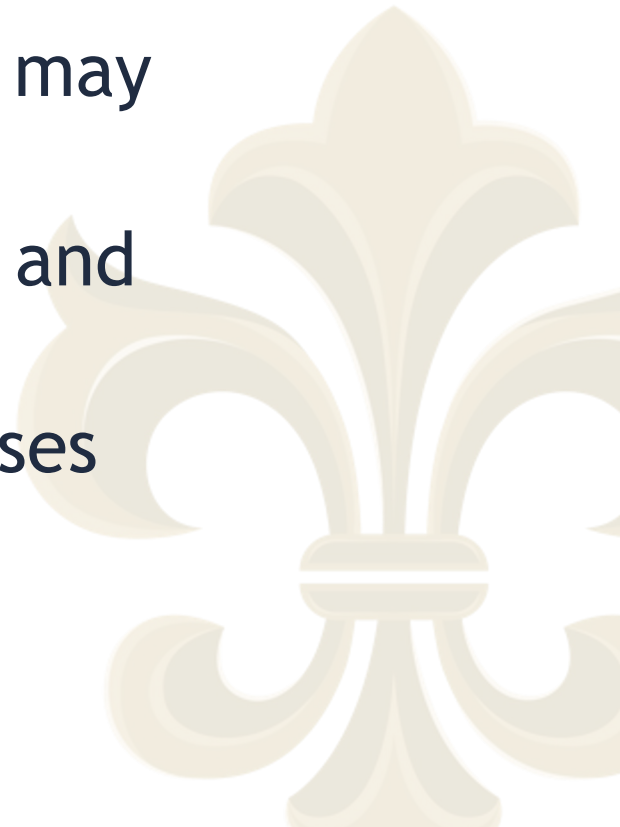
Executing your strategy

- Make sure you have revenue
- Make sure your revenue is profitable
- Make sure you have revenue and profits and don't run out of cash
- Make sure you have revenue, profits, cash, and don't run out of backlog
- Do all of this with excellent performance on job sites
- Do all of this with excellent back-office operations.



Executing your strategy

- Be careful not to grow too quickly nor too slowly
- Grow too quickly you may run out of cash
- Grow too quickly, your back-office infrastructure may not keep up
- Grow too quickly, your performance on contracts and CPARs may suffer
- Always be running scenarios and “what if” exercises



Executing your strategy

- Ensuring that your company is prepared to execute the contracts you are bidding
- Ensuring that your company has the financial wherewithal to preform the contract
- Ensuring that your management has the bandwidth to perform the contract



Executing your strategy

- Enter into sound teaming agreements
- Be as thorough and complete as possible
- Make sure your agreements are enforceable
- Prepare for your teaming agreement negotiations
- Run “what if” scenarios.



Executing your strategy

- Managing your Fringe Rate.
- Managing your overhead and G & A rate.
- Managing costs and adjusting to revenue metrics
- Managing risk through selection of cost plus, T & M, and Firm Fixed price contracts
- Managing risk through selection of Prime Contracts and Subcontracts
- Adjusting to deviation from budget



The Numbers

- Watch your book to bill ratio. If, during the year your company does not win a greater amount of work than the company's annual revenue, the company is shrinking. If it wins a greater amount it is growing.
- It is possible to mathematically estimate the amount of work a company will win based on the amount that the company bids.
- Note that a company must differentiate between total dollars of new work won and annual value of new work won since many contracts are 5-year contracts.



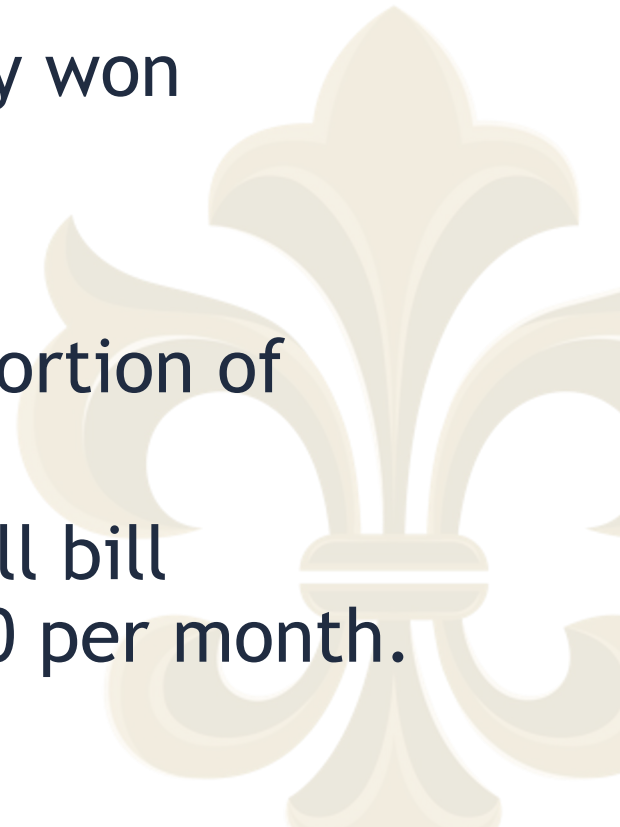
An example using a \$10 million-dollar annual revenue company

- Let's assume that the company bids \$100 million of 5-year contracts during the year
- Let's assume the company wins one quarter of what the company bids
- The company will win \$25 million dollars
- If these are all 5-year contracts, annual revenue off these new contracts will be \$5 million
- This is a 2.5:1 book to bill result which is excellent - however, remember to factor in re-competes on existing contracts.



Factor in starting dates on new contract awards

- As a reminder, few contracts start on the first day of January
- Most start during the year
- In the example on the previous slide the company won \$5 million of new work per year
- Think of this as \$5 million per 12-month period
- The year of the win, a company may perform a portion of the 12 months of work
- For each month of performance, the company will bill 1/12th of a year's revenue - at a rate of \$400,000 per month.



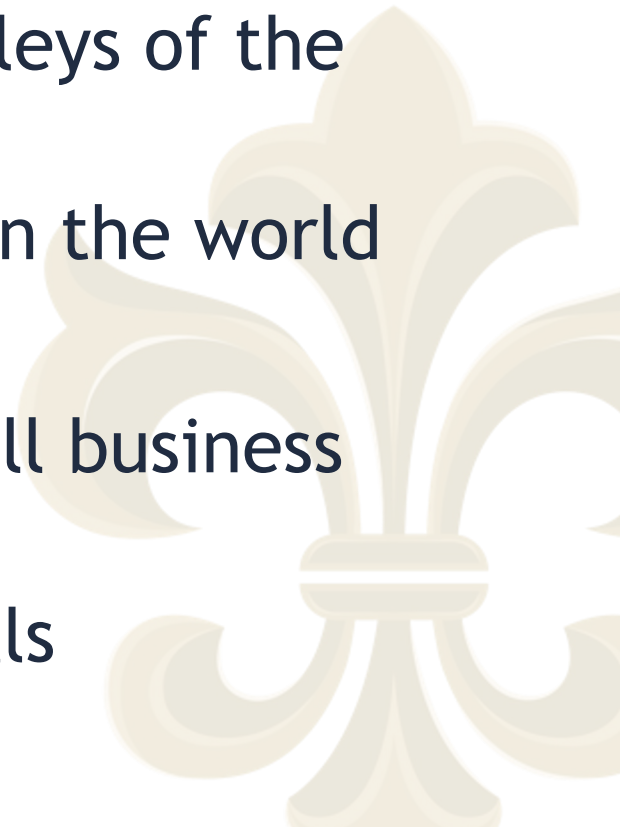
Part Three

The Good News



Government Contracting can be an excellent business

- The industry is not affected by the peaks and valleys of the economy
- The industry is not affected by the peaks and valleys of the stock markets
- The U.S. Government is the largest single buyer in the world
- The budget is growing
- There are specific regulations to ensure that small business gets their fair share
- The government is meeting its small business goals



The Industry is transparent

- No industry has as much data publicly available in regard to acquisition forecasts
- No industry lets you know how they will make their purchasing decisions
- No industry has lists and rankings of all contract awards
- No industry has metrics or competitors and prices
- In many ways a small business is not at a disadvantage
- For small business set asides and subcontracting work, incumbent firms graduate, and new firms are needed to take their place.
- There are rules in place to ensure that the procurement system is transparent and fair



Government Contracts are generally long-term contracts

- If a company receives an award the period of performance can be five or ten years.
- The revenue and profits from the contract are somewhat predictable
- Revenue and profits for entire companies can be somewhat predictable
- Protections exist (in certain cases) for inflation
- The customer is unlikely to go bankrupt.
- The customer will not get acquired
- A well-run company can run successfully for decades



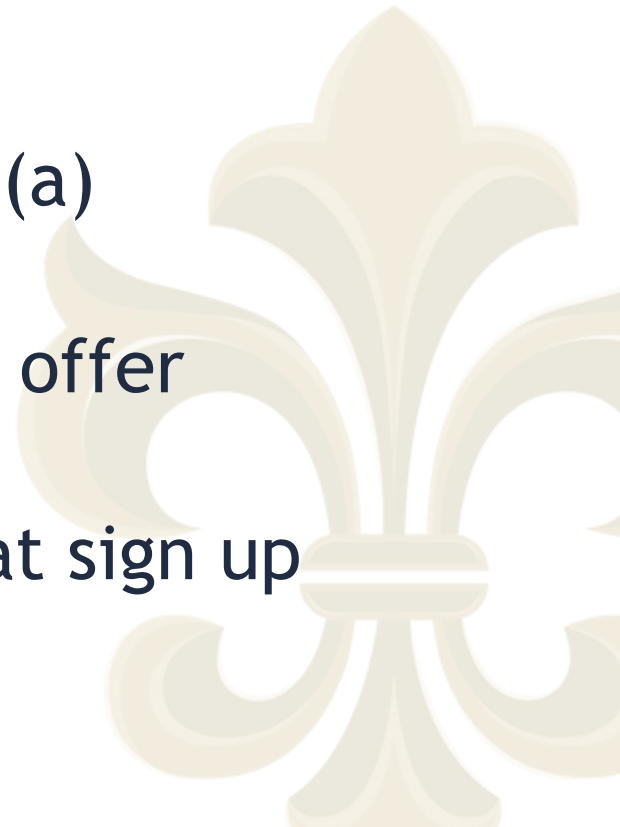
Business Development: The numbers game

- The industry is transparent
- Information is readily available
- Information can be sorted
- Buyer contact information is available
- Targeted advertising is effective



Where the information is located

- All agencies have forecasts
- All agencies have offices of small business
- All Prime contractors have supplier portals
- Buyers attend conferences such as the National 8(a) conference
- Accounting firms, law firms, and consulting firms offer free seminars
- Agencies push daily information to companies that sign up to receive it



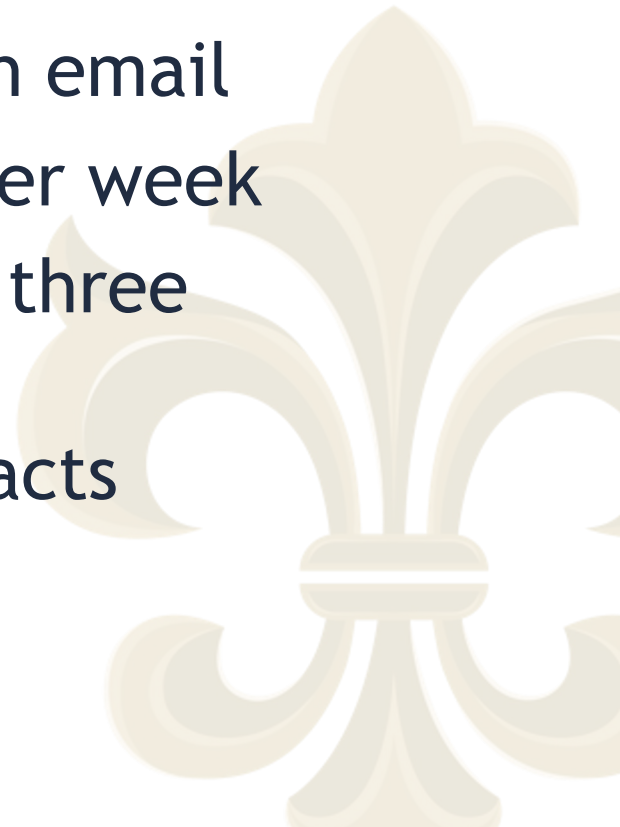
How to use this information - the numbers

- Assume a company CEO can make 10 calls or push out 10 emails daily.
- This totals 50 efforts at customer contacts per week
- Assume 1 percent results in a bid or teaming agreement
- This totals 50 bids per year
- Assume a 20 percent win rate
- This results in 10 new customers per year
- Simply stated: the numbers work



The numbers game (continued)

- It is not necessary to draft 50 original emails every week
- Prepare a dozen emails in advance
- Drag and drop the appropriate language into each email
- It is not necessary to identify 50 new prospects per week
- Make a list and reach out to each prospect every three months
- Emphasize that you will take on very small contracts
- Emphasize that you will take on work that other small businesses decline



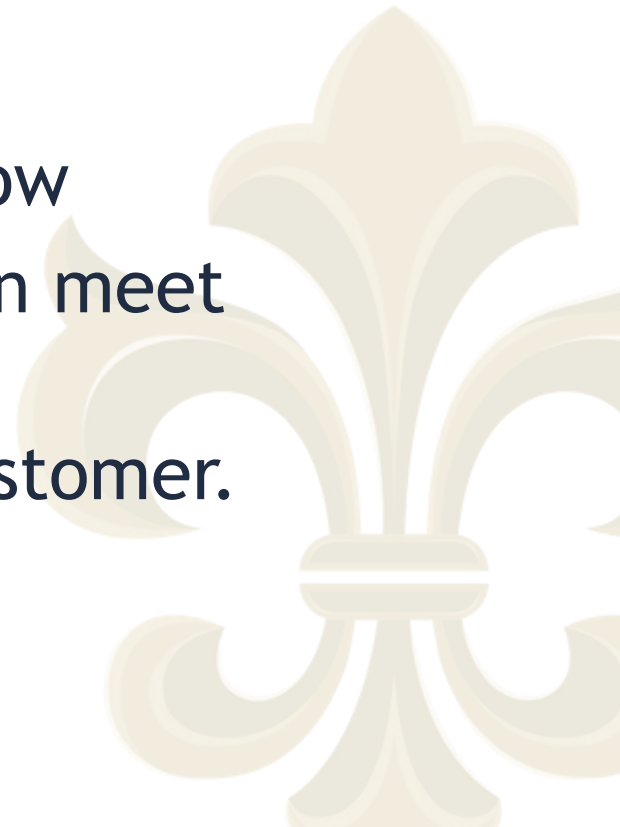
Part Four

Conclusions



Well run companies succeed and poorly run companies fail

- Too many companies fail to invest the time to plan
- Too many companies have overly optimistic projections
- Too many companies lose their focus
- Too many companies fail to manage their cash flow
- Too many companies fail to validate that they can meet the prices required to win
- Too many companies target the wrong type of customer.



But for those that do succeed...

- Long term stability compared to other industries
- Low return on sales can correlate with high return on equity
- Government Contractors can generate cash on a regular basis that can be distributed to shareholders
- Government contractors can create jobs
- Government Contracting is a noble industry in support of the United States of America





QUESTIONS?

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