

---

---

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): August 12, 2009

VANGENT 

**VANGENT, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other Jurisdiction of  
Incorporation)

**333-145355**

(Commission File Number)

**20-1961427**

(IRS Employer Identification No.)

**4250 North Fairfax Drive  
Suite 1200**

**Arlington, Virginia 22203**

(Address of Principal Executive Offices)

**22203**

(Zip Code)

Registrant's telephone number, including area code: **(703) 284-5600**

**NOT APPLICABLE**

(Former name or former address if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
- 
-

**Item 2.02. Results of Operations and Financial Condition.**

On August 11, 2009, Vangent, Inc. (the “Company”) issued a press release announcing its financial results for the three and six months ended June 27, 2009. The Company also announced the schedule for a conference call and web cast on the same date.

A copy of the Company’s press release is attached hereto as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated by reference herein. A reconciliation between certain non-GAAP financial measures and reported financial results is provided as an attachment to this press release.

The information contained in this Form 8-K, including the attached exhibit, is being furnished under Item 2.02 and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 (the “Exchange Act”), or otherwise subject to the liabilities of such section, nor shall such information be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

**Item 9.01. Financial Statements and Exhibits.**

(d) Exhibits.

| <b>Exhibit No.</b> | <b>Description</b>   |
|--------------------|--|
| 99.1               | Press Release, dated August 11, 2009, announcing the Company’s financial results for the three and six months ended June 27, 2009. |

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**VANGENT, Inc.**

August 12, 2009

/s/ Kevin T. Boyle  
Kevin T. Boyle  
Senior Vice President,  
General Counsel and Secretary



**FOR IMMEDIATE RELEASE**

**Contact: Eileen Cassidy Rivera**  
**eileen.rivera@vangent.com**

**VANGENT, INC. ANNOUNCES SECOND QUARTER 2009 RESULTS**

**— Total Second Quarter Revenue Increases 14% Year over Year —**

**Arlington, VA** — August 11, 2009 — Vangent, Inc., a leading global provider of information management and strategic business process outsourcing services, today announced its second quarter 2009 results.

**Quarter-to-Quarter Comparison**

Vangent reported revenue of \$141.0 million for the quarter ended June 27, 2009, an increase of \$17.1 million or 14% compared to \$123.9 million in the year ago period.

The increase in total revenue reflected a \$19.8 million increase in revenue for the Government Group, primarily attributable to contracts with the Department of Defense, including the Traumatic Brain Injury contract with the Military Health System; the Department of State, specifically our work on the National Passport Information Center, as well as increased revenue with our contract with the Centers for Medicare and Medicaid Services (CMS). A \$3.2 million increase in Human Capital Group revenue also contributed to the higher revenue in the second quarter, driven by strong growth from Vangent's contract with the United States Air Force to modernize the Royal Saudi Air Force's learning infrastructure. Partially offsetting these increases was a \$4.6 million, or 22%, decline in International Group revenue due primarily to changes in foreign currency exchange rates.

Operating income totaled \$3.6 million in the second quarter of 2009, an increase of \$2.1 million compared to \$1.5 million in the prior year period. The increase in operating income was primarily attributable to increases in Government Group revenue and reduced general and administrative costs compared with the 2008 period.

Vangent reported a net loss of \$6.1 million for the three months ended June 27, 2009, an improvement from a net loss of \$8.6 million for the comparable year ago period. Adjusted EBITDA increased 9% to \$13.2 million for the second quarter of 2009, compared with \$12.1 million for the quarter ended June 28, 2008.

**Contract Awards and Backlog**

New business awards during the second quarter of 2009, which totaled \$40 million, included a five-year, \$15 million contract from the U.S. Office of Personnel Management to provide Open Season Services as part of the Federal Employee Health Benefits program, extending Vangent's 24-year partnership with the agency.

Vangent won its first contract funded by the American Recovery and Reinvestment Act of 2009 as a subcontractor to Sallie Mae to provide operations, project management, software integration and testing services in support of the U.S. Department of Education's Federal Student Aid Title IV Student Loan Management Servicing program.



Vangent's total contract backlog, which is the amount of revenue the Company expects to realize over the remaining term of the contracts, including the base period and all option years, increased to \$2.3 billion at June 27, 2009, representing an \$800 million increase from March 28, 2009. The increase in total contract backlog was primarily attributable to the four-year extension of the Company's contract with CMS to May 2013.

In addition, Vangent was awarded a \$10 million, two-year extension on our E-RATE contract with the Schools and Libraries Division of the Universal Service Administrative Company which supports the Federal Communications Commission (FCC) to assist schools and libraries across the U.S. obtain affordable telecommunications and Internet access.

Vangent's funded backlog, which is the portion for which funding has been authorized, was \$434.2 million at June 27, 2009, an increase of \$26.7 million from March 28, 2009.

"Our business delivered a strong performance this quarter with significant year over year gains in Total Revenue, Operating Income and Adjusted EBITDA," said Mac Curtis, President and Chief Executive Officer of Vangent. "These accomplishments reflect our continued focus on cost management and our ability to capitalize on our experience and expertise to further diversify our operations through key new business wins and extensions. In the midst of this challenging economy, Vangent has continued to prove its value proposition to its customers while continuing to generate strong operational momentum, positioning the Company for a strong second half of 2009."

### **Liquidity, Cash Flow and Balance Sheet Information**

Total long-term debt at June 27, 2009 was \$420.4 million and cash and cash equivalents were \$21.8 million. Net cash provided by operating activities was \$7.1 million for the six months ended June 27, 2009, compared to cash provided by operating activities of \$21.2 million in the year ago period. Vangent's total liquidity, which included \$50.0 million available under its revolving credit facility, was \$71.8 million.

**Q2 2009 Financial Results Conference Call:** Will take place on Wednesday, August 12, 2009 at 11:00 am ET. Interested parties may call (877) 857-6173 and request the "Vangent Second Quarter 2009 Financial Results Conference Call," conference ID # 3032418.

**Audio Replay:** A replay of the earnings call can be heard after 2:00 p.m. on August 12, 2009 until August 24, 2009. To hear the replay, dial (888) 203-1112 and enter the same conference ID # 3032418. For interested parties outside the U.S. and Canada, dial (719) 457-0820 and enter the same conference ID #.

Vangent's second quarter 2009 financial statements including the Management Discussion and Analysis will be made available on the company's website at [www.vangent.com](http://www.vangent.com) in connection with Vangent Q2 2009 Financial Results Conference Call.

### **About Vangent, Inc.**

With over 7,000 employees worldwide, Vangent, Inc. is a global provider of Consulting, Systems Integration, Human Capital Management and Strategic Business Process Outsourcing services to the U.S. federal and international governments, higher education institutions and corporations. Clients include the Centers for Medicare & Medicaid Services, the U.S. Departments of Defense, Education, Health and Human Services, Justice, Labor, State and the U.S. Office of Personnel Management, as well as Fortune 500 companies. Headquartered in Arlington, Virginia, the company has offices throughout the U.S. and in the U.K., Canada, Mexico, Venezuela and Argentina.



### **Forward-Looking Statements**

This press release contains forward-looking statements. Forward-looking statements are those that do not relate solely to historical fact. They include, but are not limited to, any statement that may predict, forecast, indicate or imply future results, performance, achievements or events. Words such as, but not limited to, “believe,” “expect,” “anticipate,” “estimate,” “intend,” “plan,” “targets,” “projects,” “likely,” “will,” “would,” “could” and similar expressions or phrases identify forward-looking statements. All forward-looking statements involve risks and uncertainties. The occurrence of the events described, and the achievement of the expected results, depend on many events, some or all of which are not predictable or within our control. In light of these risks and uncertainties, expected results or other anticipated events or circumstances discussed in this press release might not occur. We undertake no obligation, and specifically decline any obligation, to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

###



**Vangent, Inc.**  
**Condensed Consolidated Statements of Operations**  
(in thousands)  
(unaudited)

|                                     | <b>Three Months Ended</b> |                          | <b>Six Months Ended</b>  |                          |
|-------------------------------------|---------------------------|--------------------------|--------------------------|--------------------------|
|                                     | <b>June 27,<br/>2009</b>  | <b>June 28,<br/>2008</b> | <b>June 27,<br/>2009</b> | <b>June 28,<br/>2008</b> |
| Revenue                             | \$ 141,010                | \$ 123,934               | \$ 278,482               | \$ 267,409               |
| Cost of revenue                     | 122,271                   | 105,934                  | 234,175                  | 223,100                  |
| Gross profit                        | 18,739                    | 18,000                   | 44,307                   | 44,309                   |
| General and administrative expenses | 10,544                    | 12,473                   | 20,835                   | 26,257                   |
| Selling and marketing expenses      | 4,565                     | 4,075                    | 8,882                    | 8,206                    |
| Operating income                    | 3,630                     | 1,452                    | 14,590                   | 9,846                    |
| Interest expense, net               | 8,495                     | 8,777                    | 16,866                   | 17,727                   |
| Loss before income taxes            | (4,865)                   | (7,325)                  | (2,276)                  | (7,881)                  |
| Provision for income taxes          | 1,247                     | 1,228                    | 2,872                    | 3,096                    |
| Net loss                            | <u>\$ (6,112)</u>         | <u>\$ (8,553)</u>        | <u>\$ (5,148)</u>        | <u>\$ (10,977)</u>       |

**Statement of Operation Data as a Percent of Revenue**

|                                     |        |        |        |        |
|-------------------------------------|--------|--------|--------|--------|
| Revenue                             | 100%   | 100%   | 100%   | 100%   |
| Cost of revenue                     | 86.7   | 85.5   | 84.1   | 83.4   |
| Gross profit margin                 | 13.3   | 14.5   | 15.9   | 16.6   |
| General and administrative expenses | 7.5    | 10.0   | 7.5    | 9.8    |
| Selling and marketing expenses      | 3.2    | 3.3    | 3.2    | 3.1    |
| Operating income margin             | 2.6    | 1.2    | 5.2    | 3.7    |
| Interest expense, net               | 6.0    | 7.1    | 6.1    | 6.6    |
| Loss before income taxes            | (3.4)  | (5.9)  | (0.9)  | (2.9)  |
| Provision for income taxes          | 0.9    | 1.0    | 0.9    | 1.2    |
| Net loss                            | (4.3)% | (6.9)% | (1.8)% | (4.1)% |



**Vangent, Inc.**  
**Condensed Consolidated Balance Sheets**  
(in thousands)  
(unaudited)

|   | <b>June 27,<br/>2009</b> | <b>December 31,<br/>2008</b> |
|---|--------------------------|------------------------------|
| <b>Assets</b>                               |                          |                              |
| Current assets:                             |                          |                              |
| Cash and cash equivalents                   | \$ 21,765                | \$ 21,134                    |
| Trade receivables, net                      | 124,755                  | 129,859                      |
| Prepaid and other assets                    | <u>20,000</u>            | <u>12,413</u>                |
| Total current assets                        | 166,520                  | 163,406                      |
| Property and equipment, net                 | 29,390                   | 27,152                       |
| Goodwill and intangible assets, net         | 454,202                  | 464,865                      |
| Deferred debt financing costs and other     | <u>10,187</u>            | <u>10,851</u>                |
| Total assets                                | <u>\$ 660,299</u>        | <u>\$ 666,274</u>            |
| <b>Liabilities and Stockholder's Equity</b> |                          |                              |
| Current liabilities:                        |                          |                              |
| Accounts payable and accrued expenses       | \$ 67,369                | \$ 73,172                    |
| Accrued interest payable                    | 7,896                    | 8,304                        |
| Other current liabilities                   | <u>6,003</u>             | <u>6,657</u>                 |
| Total current liabilities                   | 81,268                   | 88,133                       |
| Long-term debt, net of current portion      | 420,366                  | 420,366                      |
| Other liabilities                           | <u>16,510</u>            | <u>13,138</u>                |
| Total liabilities                           | <u>518,144</u>           | <u>521,637</u>               |
| Stockholder's equity                        | <u>142,155</u>           | <u>144,637</u>               |
| Total liabilities and stockholder's equity  | <u>\$ 660,299</u>        | <u>\$ 666,274</u>            |



**Vangent, Inc.**  
**Condensed Consolidated Statements of Cash Flows**  
(in thousands)  
(unaudited)

|  | <b>Six Months Ended</b>  |                          |
|--|--------------------------|--------------------------|
|  | <b>June 27,<br/>2009</b> | <b>June 28,<br/>2008</b> |
| <b>Cash flows from operating activities</b>                  |                          |                          |
| Net loss   | \$ (5,148)               | \$ (10,977)              |
| Depreciation and amortization                                | 16,779                   | 17,365                   |
| Equity-based compensation expense                            | 511                      | 592                      |
| Deferred income taxes  | 3,030                    | 2,913                    |
| Net changes in operating assets and liabilities:             |                          |                          |
| Trade receivables  | 6,480                    | 13,493                   |
| Prepaid and other assets                                     | (6,617)                  | (3,856)                  |
| Accounts payable and other liabilities                       | (7,960)                  | 1,646                    |
| Net cash provided by operating activities                    | <u>7,075</u>             | <u>21,176</u>            |
| <b>Cash flows from investing activities</b>                  |                          |                          |
| Acquisition, net of cash acquired                            | —                        | (3,936)                  |
| Capital expenditures   | (6,539)                  | (5,041)                  |
| Net cash used in investing activities                        | <u>(6,539)</u>           | <u>(8,977)</u>           |
| <b>Cash flows from financing activities</b>                  |                          |                          |
| Repayment of senior secured term loan                        | —                        | (7,834)                  |
| Capital lease payments                                       | (163)                    | (138)                    |
| Net cash used in financing activities                        | (163)                    | (7,972)                  |
| Effect of exchange rate changes on cash and cash equivalents | 258                      | 106                      |
| Net increase in cash and cash equivalents                    | 631                      | 4,333                    |
| Cash and cash equivalents, beginning of period               | 21,134                   | 26,093                   |
| Cash and cash equivalents, end of period                     | <u>\$ 21,765</u>         | <u>\$ 30,426</u>         |



**Vangent, Inc.**  
**Reconciliation of GAAP to Non-GAAP Measures**  
(in thousands)  
(unaudited)

|  | <b>Three Months Ended</b> |                      | <b>Six Months Ended</b> |                      | <b>Twelve Months Ended</b> |
|--|---------------------------|----------------------|-------------------------|----------------------|----------------------------|
|  | <b>June 27, 2009</b>      | <b>June 28, 2008</b> | <b>June 27, 2009</b>    | <b>June 28, 2008</b> | <b>June 27, 2009</b>       |
| Net loss                                     | \$ (6,112)                | \$ (8,553)           | \$ (5,148)              | \$ (10,977)          | \$ (20,679)                |
| Provision for income taxes                   | 1,247                     | 1,228                | 2,872                   | 3,096                | 5,330                      |
| Interest expense, net                        | 8,495                     | 8,777                | 16,866                  | 17,727               | 34,351                     |
| Depreciation and amortization                | 8,433                     | 8,946                | 16,779                  | 17,365               | 34,013                     |
| <b>EBITDA (a)</b>                            | <b>12,063</b>             | <b>10,398</b>        | <b>31,369</b>           | <b>27,211</b>        | <b>53,015</b>              |
| Goodwill impairment charge                   | \$ —                      | \$ —                 | \$ —                    | \$ —                 | \$ 16,751                  |
| Equity-based compensation expense            | 257                       | 345                  | 511                     | 592                  | 971                        |
| TSA adjustment                               | —                         | 16                   | —                       | 36                   | (84)                       |
| Net transition and contract settlement costs | 543                       | 888                  | 608                     | 3,303                | 2,241                      |
| Management fee and expenses                  | 290                       | 306                  | 658                     | 587                  | 1,235                      |
| Other  | —                         | 123                  | 106                     | 123                  | 265                        |
| <b>Adjusted EBITDA (b)</b>                   | <b>\$ 13,153</b>          | <b>\$ 12,076</b>     | <b>\$ 33,252</b>        | <b>\$ 31,852</b>     | <b>\$ 74,394</b>           |

- (a) EBITDA is defined as net income (loss) before interest, income taxes, and depreciation and amortization. Management uses this measure as an indicator of operating performance. EBITDA is not an indicator of financial performance under generally accepted accounting principles (“GAAP”) or a measure of liquidity and may not be comparable to similarly captioned information reported by other companies. In addition, it should not be considered as an alternative to, or more meaningful than, income (loss) before income taxes, cash flows from operating activities, or other traditional indicators of operating performance.
- (b) Adjusted EBITDA is a financial measure used to calculate the leverage ratio, a financial covenant under the Company’s senior secured credit facility. Adjusted EBITDA is adjusted to exclude unusual and non-recurring items including (i) noncash goodwill impairment charge, (ii) equity-based compensation expense, (ii) non-recurring contract settlement costs, and (iii) certain costs resulting from our separation from Pearson plc net of certain overhead and infrastructure costs.

###