



Deltek strengthens its position in the project software market after a successful IPO

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Summary: *Deltek's international growth aspirations are fueled by strong financials and a global need for project-focused enterprise applications*

In November 2006, I last wrote about the software vendor Deltek – a leading provider of enterprise applications for project-focused businesses – in the article [Deltek's rebirth focuses on Earned Value Management \(EVM\)](#). Since then much has happened.

In November 2007, Deltek completed its Initial Public Offering (IPO), pricing its shares at \$18. Deltek's shares are currently priced around \$13 largely due to the global downturn in the financial markets. Not that this is bad – the share prices of SuccessFactors and NetSuite who IPO'd at the same time are down 35% and 45% respectively.

One key difference between Deltek and the SaaS vendors is that Deltek is profitable. Revenues for 2007 increased 22% to \$278m and net income increased 47% to \$22m. These are profit figures that SaaS vendors can only dream about. For example, Salesforce.com's 2007 revenues were \$497m and net income was only \$1/2m.

In addition, Deltek is investing back into its business. Around 15% of Deltek's sales revenues are ploughed into R&D, whereas Salesforce.com's R&D accounts for 1% of sales revenues. Deltek's more traditional business model therefore offers relatively more to its stakeholders in terms of product innovation, sustainability, and profits.

Deltek defines its market in an interesting way. The conventional wisdom is for software vendors to define their markets in terms of industry sectors and size of organization. This is one reason why many vendors look the same.

Deltek exclusively targets "project-focused organizations" of all sizes i.e. it targets organisations whose core business purpose is the engagement, execution, and delivery of successful projects for external clients. Typically these are technical consulting and project management companies. Deltek provides a complete portfolio of enterprise applications to manage these businesses that includes project management, CRM, project accounting, HR, and project performance management.

The main industry sectors which "fall out of" this core business definition are Government Contracting (especially Aerospace & Defence), Architecture & Engineering, and Consulting. Many of Deltek's 12,000 customers are in Government Contracting and Architecture & Engineering, while the Consulting industry is a new target market.

Given the buoyant state of the construction and building industry, which is fed by these three industries, the market opportunity for Deltek looks rosy. The scale of building projects in Dubai and China for example tell their own story. In the UK, Deltek has won an interesting contract with the UK

Atomic Energy Authority (UKAEA) to deliver project management software for the decommissioning and clean-up of the UK's 20 civil nuclear sites that include Windscale and Dounreay.

Inherent project compliance, transparency and auditability are key requirements for government contracts such as this, and these are hallmarks of Deltek's software – it is built for managing all aspects of a project-focused business rather than being an adapted general purpose tool.

Deltek is scaling up its UK operation and has ambitious plans to increase its international market base outside of the US. An active partnering strategy, a reseller recruitment campaign, and a willingness to make strategic acquisitions will be pivotal to its growth. Deltek's early successes outside the US and its strong financials bode well for the future of this highly focused software vendor.