WASHINGTON
BUSINESS JOURNAL

Transit talk

Meet an equestrian who's over the horse and buggy

EXECUTIVE PROFILE, 54

COURTESY MARS

THE LIST

INNERLOOP

Enter the Garden

The founders behind a co-working and consulting operation called Building Momentum have planted The Garden, a new maker space. **SARA GILGORE, 4**

REAL ESTATE INC.

DHS ASAP? LOL

Questions continue to swirl around the DHS consolidation timeline, delayed once again at St. E's. Here's what we do know. **DANIEL J. SERNOVITZ, 18**

FEDBIZ

Merger madness

The government contracting industry has seen an intense amount of M&A. So, where does that leave the mid-level players? **ROBERT J. TERRY, 8**

MONEY

A public offering

A D.C. spinoff of a global investment holding company is the latest to file for an IPO, in hopes of raising $75 million. **ANDY MEDICI, 16**

MOCO USHERS IN ITS NEWEST BIOTECH BOSS 12

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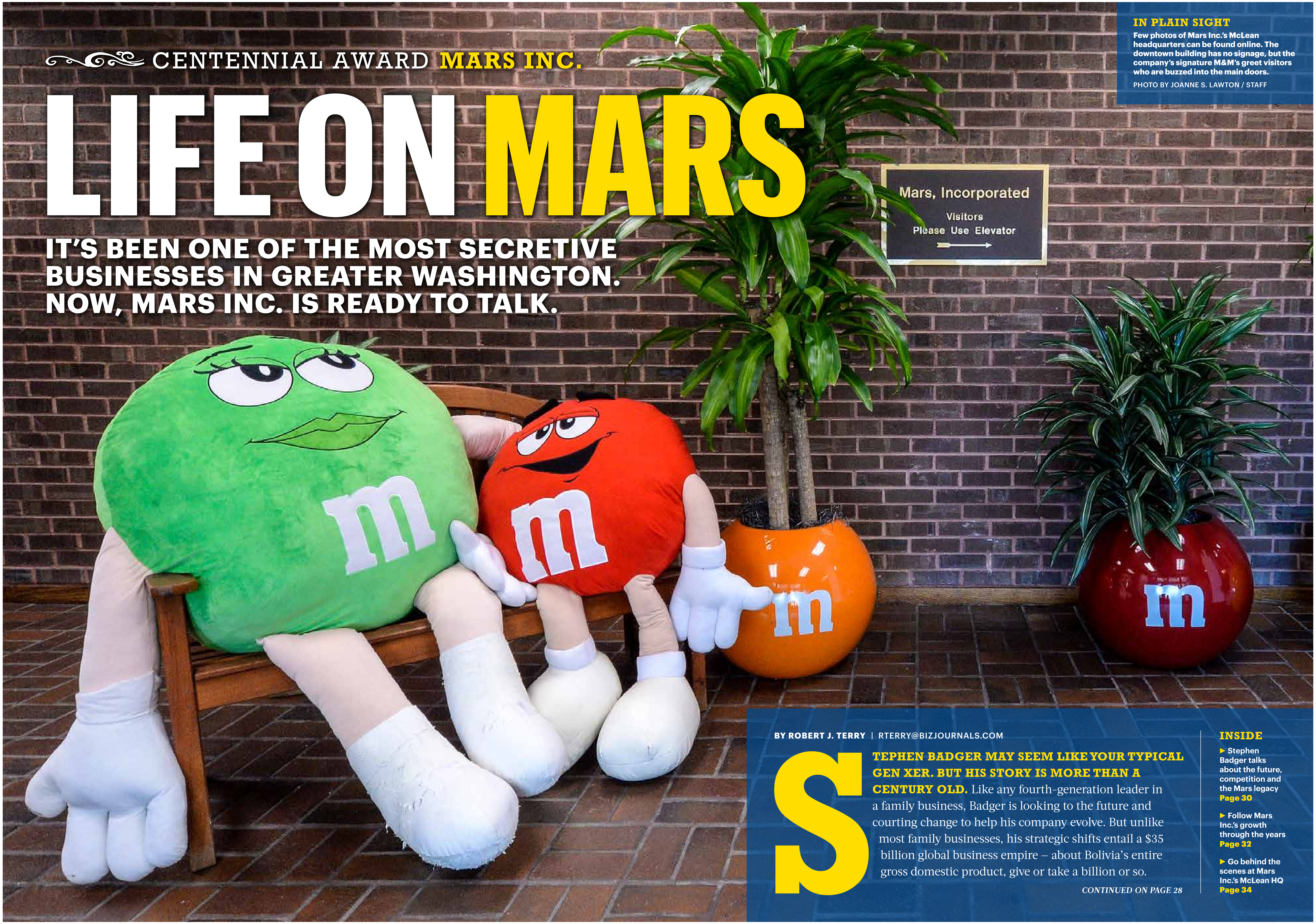
CENTENNIAL AWARD **MARS INC.**

LIFE ON MARS

IT'S BEEN ONE OF THE MOST SECRETIVE BUSINESSES IN GREATER WASHINGTON. NOW, MARS INC. IS READY TO TALK.



IN PLAIN SIGHT

Few photos of Mars Inc.'s McLean headquarters can be found online. The downtown building has no signage, but the company's signature M&M's greet visitors who are buzzed into the main doors.

PHOTO BY JOANNE S. LAWTON / STAFF

BY ROBERT J. TERRY | RTERRY@BIZJOURNALS.COM

STEPHEN BADGER MAY SEEM LIKE YOUR TYPICAL GEN XER. BUT HIS STORY IS MORE THAN A CENTURY OLD. Like any fourth-generation leader in a family business, Badger is looking to the future and courting change to help his company evolve. But unlike most family businesses, his strategic shifts entail a $35 billion global business empire – about Bolivia's entire gross domestic product, give or take a billion or so.

CONTINUED ON PAGE 28

INSIDE

CENTENNIAL AWARD MARS INC.

CONTINUED FROM PAGE 27

The great-grandson of founder Frank Mars and son of heiress Jacqueline Mars, Badger, 49, now serves as chairman of the board for Mars Inc., a company that ranks as one of the oldest family-owned businesses in Greater Washington, one of the largest privately owned companies in the United States and the owner of some of the most recognizable brands in the world.

But despite the superlatives, Mars has been notorious for its reluctance to engage. Press requests are rarely granted, and the company's corporate headquarters in McLean is so low-profile – no logo or signage in sight until you're buzzed into the lobby – that many in Greater Washington don't realize the giant in their own backyard.

That has sent Badger on a new mission: to bring Mars Inc. into the daylight. Because the company realizes that if it doesn't tell its own story, someone else will.

After all, how many know Mars solely as a chocolate company, even though it entered the veterinary care business through its February 2017 deal to acquire the VCA Inc. animal hospital chain for $7.7 billion? Then there's the 20 percent of the U.S. market for cat and dog food, which Mars controls thanks to brands that make up its biggest revenue generators, including Iams, Whiskas and Eukanuba. And then there's the international foods, the coffee makers and the scientific research behind healthy cocoa-extract supplements. Yes, healthy cocoa.

It's all a part of an effort to diversify. But to drive that differentiation, Mars needs to recruit 100,000 new employees worldwide, more than doubling its workforce, in the next 20 years. And it can't do that without connecting with the public. Company executives know the conversation can't simply be, "What can you do for Mars?" Mars also needs to talk about what it can do for others. Innovation demands it.

"We made a very conscious decision after quite a lot of discussion and disagreement over many years to fundamentally shift what had been a tradition for essentially 100 years, to pivot and engage the external world," Badger said. "We've also recognized that there are some issues that are so significant, they warrant our participation in terms of putting ourselves into the dialogue."

For Badger – whose first job in the family business was a summer gig as a teenager, laying out taste tests of red M&M's at a New Jersey factory – that means taking a public stand on topics like climate change, which he considers a "real threat to our business. Not tomorrow, but today." And given the industry's competitive pressures, it also means guiding the company down the path toward its own sustainable future.

"That path is related to sharing about the company itself, as opposed to letting our brands do the talking," said Badger, who lives in Santa Fe, New Mexico, and along with his Mars work is a film producer. "Some would call it secretive, but we've been in the world upwards of a hundred years. We've been very visible in terms of our advertising and very focused to that end."

But that line is shifting. Case in point?

"The very fact that I'm speaking with you," Badger said.

OFFICE HOURS

Mars Inc. has headquartered its business operations in McLean since 1984. The office is dog-friendly (see above) and features an open design with glass-enclosed conference rooms (above right). Conference rooms on the lower floor include the logos of the company's most iconic brands and products (below right).

PHOTOS BY JOANNE S. LAWTON / STAFF

Money and muscle

Badger's willingness to speak on the record about his family's business runs antithetical to an unofficial Mars family silence stretching back decades.

Starting with Forrest Mars Sr. – who created the M&M and helped drive the rapid growth of his father's candy company in the early 20th century – the company's culture was to communicate through its brands, 10 of which today top the billion-dollar barrier. The stories about Mars' love of anonymity are legion, so much so that it's a bit of a journalistic cliché to describe its McLean brick headquarters building as "nondescript" and note its location 2.7 miles from the CIA.

For decades, precious little was known about the global company with operations in 80 countries, which employs 140 at its McLean headquarters, 30,000 across the U.S. and 70,000 around the world. In the U.S., its main campuses include Mars Chocolate and Mars Wrigley in New Jersey, with its smaller Mars Symbioscience segment – what it dubs its idea incubator – in Germantown.

But a tour through the corporate headquarters uncovers a more approachable, if typically corporate, feel. Staffers (associates, in Mars lingo) work in an open office layout – even CEO Grant Reid, the first nonfamily member to lead the company as chief executive. Meetings take place in central glass-enclosed conference rooms. A miniature M&M store offers company swag. A handful of dogs have free run of the place, a slam-dunk employee perk for a pet care company, after all.

But not every company has a museum of American business history in its headquarters. In the building's lower level, next to the break area and among additional conference rooms, historical artifacts like one of the company's original time clocks – Forrest Mars Sr. long insisted everyone punch one – share display space with confections and candy wrappers going back to the 1920s. Advertising campaigns, sports sponsorships and press clippings guide visitors through many of the most well-known touchstones of American popular culture. The glass cases trace the company's early successes with Milky Way, Snickers and 3 Musketeers.

Reid wasn't available to be interviewed for this story, but Andy Pharoah, vice president of corporate affairs and strategic initiatives, says the management team strongly believes that "to be successful in the long term, Mars the company needs to be as unique and as differentiated as our products have always been."

That means broadening capabilities of its talent base, from digital marketers to analytics experts to cancer specialists for dogs.

"Every area is changing with the world that we're operating in, whether you're in finance, whether you're in human resources, whether you're in logistics, whether you're an engineer in one of our plants," Pharoah added. "There is this perpetual disruption. For companies, you either disrupt or you will be disrupted. You cannot just sit back and say we've had a tremendous business for over 100 years. We have to be as hungry as when we sold our first chocolate bar, or when we first entered the pet food category in the 1930s."

Through that evolution, Badger has made one thing clear: Mars' aggressive growth strategy doesn't include a change in ownership structure.

"The family is 100 percent committed to keeping the business private, and we spend a lot of time engaging the family to that end," Badger said. "The notion of subjecting ourselves to shareholders who would be nameless and faceless, and not to mention have a different set of goals and aspirations for the business than we do – there's just no reason we would want to subject ourselves to that."

Competitive pressures

Part of Mars' reticence has to do with its market, where the competition is fierce, proprietary recipes and trade secrets are invaluable, and the consumer sweet tooth is increasingly giving way to an era of farm-fresh, healthy food.

Mars goes toe-to-toe with The Hershey Co. – boasting a slight lead in the $35 billion U.S. confectionery market, which includes candy, mints and gum – as well as Lindt and Mondelez International Inc. (think: Cadbury, Trident and Dentyne). In 2017, competitor Nestle SA made plans to relocate its U.S. headquarters from California to Rosslyn, some 20 minutes from Mars' McLean home. There's also the Italian corporation The Ferrero Group, maker of Nutella, which agreed to acquire Nestle's U.S.-based confectionery business in January for $2.8 billion as the Swiss company shifts its focus from sugary products to health and wellness snacks.

When it comes to Ferrero, "I think they're going to give both Mars and Hershey a run for their money," said Bernie Pacyniak, longtime editor of industry trade publication Candy Industry Magazine. "They can put some money and muscle behind Nestle's iconic brands."

Mars is finding that a unique culture alone won't beat back market disruption. And an aversion to the spotlight makes it tough to take credible leadership roles on issues such as sustainability and advertising to children.

In early February, Mars made public for the first time its policies on funding scientific studies, opting against linking their dollars too closely to their outcomes. That includes work at Mars Symbioscience, which includes a staff of 60 and incubates ideas on everything from the health applications of compounds found in cocoa – cocoa flavanols show promise in lowering blood pressure, for example – to protecting coral reefs and fish populations in Indonesia.

That increased transparency comes as Mars breaks with several industry groups, including the International Life Sciences Institute and Grocery Manufacturers Association, allowing the company its own individual stances on issues, according to Reuters. Mars publicly supported nutritional recommendations to limit added sugar consumption in 2016 and worked with the National Confectioners Association on increasing transparency around portion guidance and sugar intake.

"We do not want to be involved in advocacy-led studies that so often, and mostly for the right reasons, have been criticized," Mars Vice President of Public Affairs Matthias Berninger told Reuters.

Instead, Mars is engaging with consumers in different ways – digital approaches using social media and search engine optimization, among other tactics – that resonate with customers who increasingly value authenticity as well as nostalgia and who can be coaxed toward the impulse

CONTINUED ON PAGE 32

Founded in 1911

Headquarters: McLean

Major brands: M&Ms, Wrigley gum, Dove, Skittles, Altoids, Starburst, Combos, Uncle Ben's, Iams, Pedigree, Whiskas

2017 revenue: $35 billion*

Leadership: Grant Reid, president and CEO; Stephen Badger, chairman

Number of employees: 70,000

Generations: Five

***Source:** Forbes

6

Members of the Mars family currently serving on the board of directors, including Stephen Badger, Alan Airth, Marijke Mars, Victoria Mars, Frank E. Mars and Michael Mars

$78B

Estimated net worth of the Mars family in 2016, according to Forbes. That includes the current ownership of the company, siblings Jacqueline and John Mars, along with the heirs of their late brother, Forrest E. Mars Jr.

CENTENNIAL AWARD MARS INC.

ON THE RECORD

MARS HEIR TALKS NESTLE, LEGACY

Q&A

He may not bear the company moniker, but Stephen Badger — son of Jacqueline Mars — has served on the Mars Inc. board of directors since 2008, the most recent in a long list of roles with the family company.

From 2004 to 2007, Badger was global director of corporate affairs for Mars, with oversight roles in crisis management, government affairs, public policy, media relations and internal corporate communications. Prior to that, he was president of the company's Seeds of Change subsidiary, expanding the business to offer certified organic prepackaged soups, sauces and other foods for sale in the U.S. and U.K.

Asked about his day-to-day role with the company, Badger said one of his key responsibilities is "to choose the right talent running the business." To that end, he's driving strategic conversations with the management team and CEO Grant Reid.

Outside of Mars, Badger gained notice for his work producing the critically acclaimed 2013 documentary, "Muscle Shoals," about the two legendary Alabama recording studios that birthed iconic recordings by Aretha Franklin, The Rolling Stones, Bob Dylan and Elton John and were home to The Swampers, the house band that performed on dozens of hit songs.

Mars Chairman Stephen Badger, 49, currently lives in New Mexico.

RANDALL MICHELSON / GETTY IMAGES

▶ **On his first job with the company:** My very first job was a summer job when I was a teenager working in the Hackettstown factory in New Jersey. My friends still laugh to this day, my high school buddies, that my first job was actually laying out taste tests of red M&Ms for associates to try and determine if there was any flavor differential between different color dyes. The fringe benefits were great. Lots of M&M's.

▶ **On being chairman of a family-owned business:** A real opportunity is that one can gather the shareholders together all in one room. And it gives us the opportunity to a forthright dialogue and discussion about what's important to the family and to the business. It enables us to broaden the conversation from quarterly earnings to a longer-term view, which is what we always endeavor to take.

▶ **On competitor Nestle moving to Greater Washington:** They've got their business, we have our business. We've been in D.C. since the 1960s, something that not many would know. We've headquartered ourselves here because we're a U.S.-based business and Washington is the capital of the United States. Being in McLean within spitting distance of D.C., we welcome them as new neighbors.

▶ **On sustainability:** It turns out Mars Inc. has a carbon footprint the size of Panama. It's not small. And if we're to have any chance of achieving the sustainable development goal of keeping the planet's warming to no more than 2 degrees, then there's a significant amount of activity that needs to occur, including in our own right. To achieve that goal, we need to reduce our carbon footprint — not only in our factories and so forth but also in our supply chain, in terms of how our raw ingredients are grown — by fully 67 percent by 2050. That's an ambitious target, but it's one that we're committed to and that we now have a series of activities being rolled out to address.

▶ **On attracting talent and lifting the veil:** The world has changed and not only are consumers more interested in the companies that are behind the brands that they're purchasing, but the talent that we're seeking to attract and retain is also far more curious and engaged in the conversation. We made a very conscious decision, after quite a lot of discussion and disagreement over many years, to fundamentally shift what had been a tradition for essentially 100 years — to pivot and engage the external world as we are now today in regards to telling more about who we are as a company and what our aspirations and our goals are.

▶ **On how he'd like Mars to be remembered:** If we could be remembered and thought of as a successful, privately held business that's seeking to make the world a better place through our businesses, that would certainly be a great testament that I would aspire to live by and be honored to have attributed to us.

– Interview by Robert J. Terry

COURTESY MARS

Frank Mars

GROWING THE FAMILY EMPIRE

As of 2018, Mars Inc. has five generations in the family business. John F. Mars and Jacqueline Mars serve as owners of the company, along with the heirs of Forrest E. Mars Jr. following his death in 2016. Chairman Stephen Badger marks the fourth generation, and his nieces and nephews are starting to come on board.

ETHEL HEALY *Second wife* — **FRANK MARS** — ETHEL KISSACK

PATRICIA MARS

FORREST E. MARS SR. — AUDREY R. MEYER

ADRIENNE BERIS — **JOHN F. MARS**

DEBORAH ADAIR CLARKE *Second wife* — **FORREST E. MARS JR.** — VIRGINIA MAE CRETELLA

DAVID BADGER — **JACQUELINE MARS** — HARRY VOGEL JR. *Second husband*

LINDA MARS, MICHAEL MARS, FRANK E. MARS

VICTORIA MARS, PAMELA MARS, VALERIE MARS, MARIJKE MARS

CHRISTA BADGER, ALEXANDRA AIRTH, STEPHEN BADGER

COURTESY MARS

Forrest E Mars Sr.

CENTENNIAL AWARD MARS INC.

CONTINUED FROM PAGE 29

buy of a Twix bar or pack of Skittles.

"They have to think of other ways to replicate that [impulse] purchase," said Brittany Weissman, an analyst with St. Louis-based Edward Jones who doesn't cover Mars specifically, but closely tracks the industry through her coverage of Hershey and other players. Competition for shelf space is intense in a consolidating retail bricks-and-mortar market, so it's more important than ever to innovate with new products – dark chocolate has gained in popularity, and Mars introduced it in Maltesers, its bite-sized malt balls, last year.

To Badger, much of that adaptation is an innovation challenge, from how Mars sources and manufactures raw materials to how it packages and sells products, down to how it interacts with consumers. Change is coming at each step.

"It is incumbent upon us to really move much faster, much quicker to market, to adopt much more of a test-and-iterate modality as opposed to, 'Let's get everything perfect before we launch it.'" Badger said. "If you were to put a catchphrase on it, it would be 'Let's not let perfect get in the way of great.'"

'What's the right thing to do?'

When Nancy Roman started as CEO of D.C.-based Partnership for a Healthier America in 2017, Mars was one of the first companies she met with face-to-face.

"They were kind enough to bring in salads," she said. "You really got the sense that they walk the walk."

And what commenced was a free-flowing, two-hour roundtable about what might at first glance seem like an unlikely partnership between the nonprofit and Mars focused on childhood obesity. Mars has pledged to reduce sodium by an average of 20 percent in its product lines by 2021, ensure all new U.S. products meet added sugar guidelines and label its most nutritious and healthful offerings as "everyday" choices. The others will be deemed "occasional" treats, to be eaten no more than once a week.

That's a subtle, but key, distinction for Roman, who has found companies get squeamish around labeling candy as a "snack" versus a "treat." "What has happened on this American journey of trying to become a healthier society," Roman said, "is you have a lot of iconic brands and they have made some shifts. But there's more to do. They can't get into the tent if they're not doing real and meaningful work."

This has been a part of a longer conversation at Mars. Back in 2004, when Badger ran corporate affairs for the company, it set out to refresh its marketing. Executives chewed on self-imposed limits on advertising to kids younger than 12 and more disclosures about the nutritional content of its products.

"We had a long dialogue around whether or not that was going to put us at a competitive disadvantage and impact our top line and our bottom line," Badger said. "What's our responsibility? What's the right thing to do? At the end of the day we decided and determined that indeed it was just that, and moved forward."

But Badger's biggest push to set Mars apart from other major companies is its "Sustainable in a Generation" plan to grow in ways that are good for the planet. It encompasses everything from poverty to the world's water supply, climate change and land use and will see the company invest $1 billion in the next few years to, for example, reduce its carbon footprint – now the equivalent to that of Panama. Mars said it has so far cut carbon emissions of its 150 factories worldwide by 25 percent and, today, all of its M&M production is powered by renewable energy.

"With this scale comes responsibility," Badger wrote in an October opinion piece for The Washington Post. "Mars, and companies like ours, must be as engaged as governments in delivering reductions in greenhouse-gas emissions."

Of course, many companies undertake these kinds of initiatives to bathe themselves in benevolence, even as their products or services undercut that very aim. But Mars executives insist this is not a play for positive PR or marketing hokum. It's a bid for survival amid disruptive market forces and a recruiting call for the best and brightest to join a company that was once a mystery.

And for Badger, it's to ensure his story lasts yet another century into the future.

$1B

Amount Mars Inc. has dedicated to investing in sustainability initiatives as part of its "Sustainable in a Generation" plan

ONE SWEET HISTORY

With more than 100 years of history and hundreds of brands to its name, Mars Inc.'s timeline could stretch many pages. Here's a look at some of the highlights.

1883 Frank C. Mars is born in Minnesota.

1911 Frank begins selling butter cream candy from his kitchen in Washington state.

1920 Frank moves back to Minnesota and launches candy company The Nougat House.

1923 The Milky Way Bar launches and Mars Inc. hires its first full-time sales staff.

1929 Mars Inc. opens a production plant in Chicago and Frank's son, Forrest E. Mars Sr., enters the family business.

1930–1932 Snickers and 3 Musketeers are launched.

1934 - 1935 Frank C. Mars dies, Mars enters the pet care business.

1941 M&M's are introduced, made first for the U.S. military.

1950 The first M's are printed on M&M's, which were launched to the public five years prior.

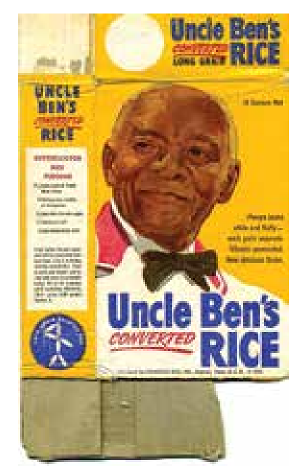
1959 The corporate offices of Mars Inc. are moved from New Jersey to D.C. Mars also launches its Uncle Ben's Rice line.

1969 Forrest E. Mars Sr. retires.

1981 M&M's become the first candies in space.

1984 Mars Inc. moves its corporate offices to McLean, where it operates today.

1986 Mars acquires DoveBar International in the U.S.



1999 Forrest E. Mars Sr. dies at the age of 96.

2005 Mars Inc. launches its global health and life sciences arm, Mars Symbioscience.

2007 Mars acquires Banfield Pet Hospital chain.

2008 Mars Inc. acquires the Wm. Wrigley Jr. Co., known for its eponymous chewing gum.

2009 Mars launches front-of-package nutrition labels globally and announces its "Sustainable in a Generation" program.

2014 Mars acquires Iams, Ekanuba and Natura brands in territories including North America and Latin America.

2016 Forrest E. Mars Jr. dies at 84. Mars also combines its chocolate and Wrigley segments to form Mars Wrigley Confectionery, a Chicago arm that oversees its M&M's, Snickers, Orbit, Twix and Skittles brands.

SOURCE: Mars Inc.

CENTENNIAL AWARD MARS INC.

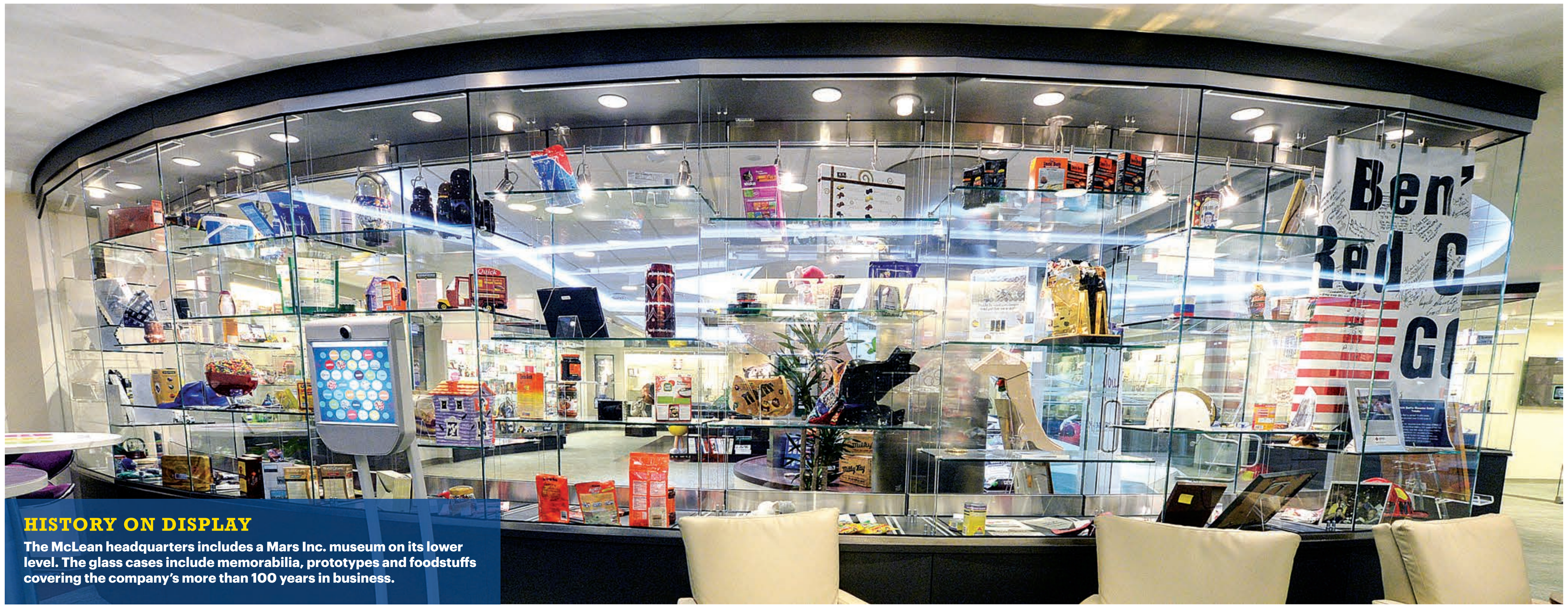
BEHIND THE CURTAIN

When it comes to Greater Washington business mysteries, Mars Inc.'s McLean headquarters ranks among the most storied. Since 1984, the global confectionery, food and pet care giant has headquartered its business in an under-the-radar red-brick building in the Norhtern Virginia suburb.

The building, located at 6885 Elm St., has no obvious signage and it isn't until you're buzzed through the double doors — if you're lucky enough to have an appointment — that you first see hints of a tie to the family-owned business.

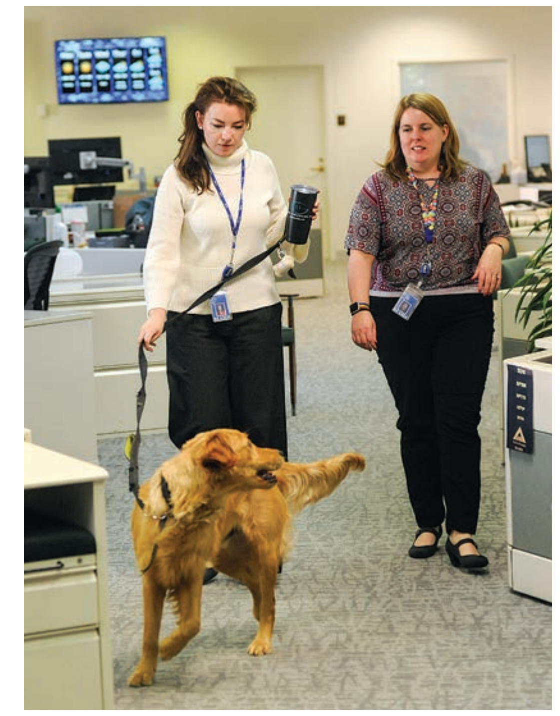
The HQ is dog-friendly, and includes an open floor plan, mini M&M store and a museum that traces the company's story back to the early 1900s.

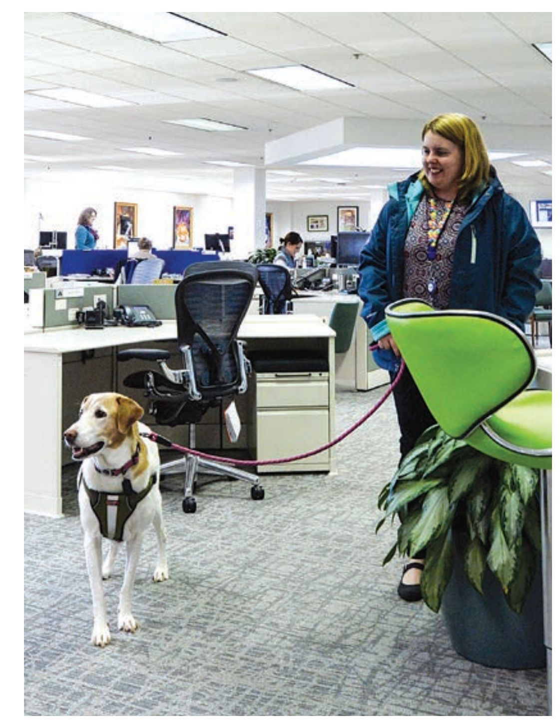
▶ PHOTOS BY JOANNE S. LAWTON / STAFF



HISTORY ON DISPLAY

The McLean headquarters includes a Mars Inc. museum on its lower level. The glass cases include memorabilia, prototypes and foodstuffs covering the company's more than 100 years in business.



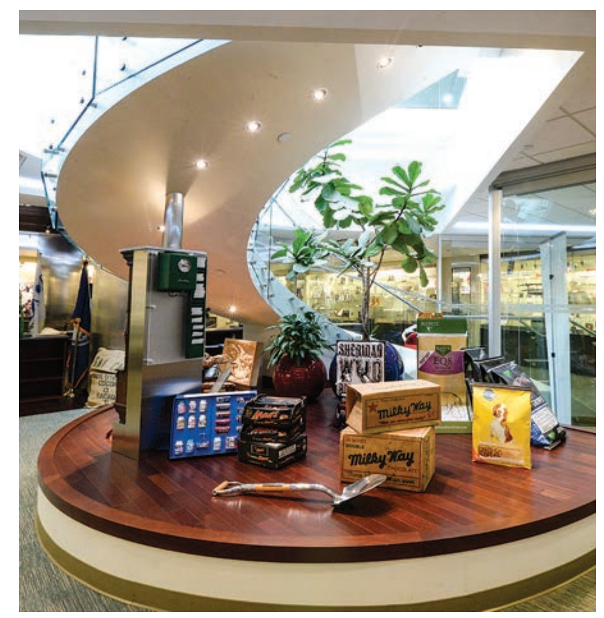


PAWS ON DECK

Mars Inc. may be known for its candy, but its biggest sector is actually pet care and pet foods. The company's headquarters is dog friendly, and many associates bring their pups with them to the office. A private park in back of the HQ makes walks easy.

EXIT THROUGH THE GIFT SHOP

While candy production takes place in a New Jersey facility, Mars associates can take home some M&M swag, on sale in a mini M&M store in the office.



CLOCKING IN

A tradition of all associates clocking in and out was started by Forrest Mars Sr. While the method is no longer required for all employees, the original time clock still sits in the Mars Inc. museum (above).

THE FIVE PRINCIPLES

Mars associates (right) work in a open office layout that includes a few glass-enclosed conference rooms in the center. The company's "Five Principles" (far right) — quality, responsibility, mutuality, efficiency and freedom — are on display throughout the building.