

# Q2 2023 | INDUSTRY UPDATE

## Defense & Government

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Prepared by:  
Chesapeake Corporate Advisors  
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CCA provides customized investment banking and corporate advisory services to middle market companies in the Mid-Atlantic region. No matter where you are in your business life cycle, CCA can help you build shareholder value and achieve outcomes that best suit your goals.

CCA is a boutique corporate advisory and investment banking firm that has been successfully serving investor-owned and closely held emerging growth and middle market companies since 2005. Our team of managing directors brings 30 years of experience to the Baltimore area.

Together we provide a collaborative, holistic approach to serving clients in the Mid-Atlantic region. For middle market companies looking to create business value with the help of our strategy services, and/or realize value through a merger, acquisition or other transaction, CCA is ready to stand with you, guide you through the process, and help you achieve your goals.

## Corporate Advisory

- Value Creation
- Succession and Exit Planning
- Growth Plan Evaluation
- Valuations & Appraisal
- Fairness Opinion
- ESOP Feasibility Study
- Stockholder Agreement

## Investment Banking

- Sell-Side
- Buy-Side
- Merger
- Recapitalization
- Growth Capital
- Management Buyout

\$3.0Bn

Aggregate Tx value

20 years

Average experience

25

Transactions Closed  
Since 2020

84

2022 Valuations and  
Marketability Studies



*Companies serving the Intelligence and Cyber Markets encompass a wide range of offerings with a diverse set of skills and market segments. From Artificial Intelligence and Machine Learning to Cybersecurity and support for the war fighter, the people that make up these technology companies are actively involved in national security. Along with these “pointy edge of the sword companies” are support industries in staffing, construction, finance, and legal which serve to support the infrastructure, financial, and legal needs of this community.*

## Defensive Hunt Operations

- According to the Sixteenth Air Force, as part of CYBERCOM’s Defend Forward strategy, CNMF has worked with several partner nations as part of hunt forward missions. In a recent deployment to Latvia, the US and Canadian teams conducted hunts simultaneously. CNMF has deployed 47 times to 22 countries and conducted hunt operations on over 70 networks around the world.

## Best Practices for Remote Access

- Legitimate remote access software is being used by cyber actors to access victims’ systems, blend in with regular network activities, and evade detection. NSA, the Cybersecurity and Infrastructure Security Agency (CISA) and other organizations have authored a guide that provides an overview of activities associated with the malicious use of remote access software.

## NGA Awards a \$947M IDIQ

- The NGA awarded a new \$947 million contract designed to provide support to its total lifecycle acquisition management, strategic financial management and strategic business management activities. Activities under the CLOVER contract include services supporting programs and projects of significant scope and influence across the NGA enterprise.

## ODNI Releases Threat Assessment

- This annual report of worldwide threats to the national security of the United States responds to Section 617 of the FY21 Intelligence Authorization Act. This report reflects the collective insights of the Intelligence Community (IC), which is committed every day to providing the nuanced, independent, and unvarnished intelligence to protect American lives and America’s interests anywhere in the world.

## AF Cyber Direct Commissioning

- The Air Force is revolutionizing how it recruits and commissions the next generation of cyber professionals. The AF is utilizing the Cyber Direct Commissioning Program to address current manning requirements in the cyber workforce. Leveraging this authority allows the Air Force to fulfill critical technical skills desired by various missions throughout the service.

## Cyber Command’s Info Sharing

- U.S. Cyber Command is expanding its program that enables it to exchange cyber threat intelligence with industry partners to support national security efforts. The program was launched by the command’s Cyber National Mission Force as a two-way information-sharing initiative to get a better picture of the threat landscape and enhance government and commercial systems’ defenses against cyberattacks.

# Recent Intel Community and Cyber Transaction Highlights



Target Acquiror



Closed Sector

May 16, 2023 Cyber

## Description

iNovex, a provider of software development solutions focused on cybersecurity, Signals Intelligence (SIGINT), data analysis, and robotic process automation for the Intelligence Community, announced that it has reached a deal with INNOFLEX, a high-performance software engineering, cybersecurity, and SIGINT business that will bring the two businesses together. iNovex is a portfolio company of Enlightenment Capital.

Target Acquiror



Closed Sector

April 27, 2023 Intel & Cyber

## Description

Lentech, Inc, a small, disadvantaged business with diverse and deep experience in Information Technology (IT), cloud solutions, cyber security, space systems engineering, operations, and technical services for the Department of Defense, NASA, and Federal Civilian Agencies, has acquired the assets of Eclipse Engineering, LLC, a high impact provider of software and IT solutions to the Intelligence Community (IC) and Department of Defense (DoD).

Target Acquiror



Closed Sector

April 24, 2023 Cyber

## Description

ZeroFox (Nasdaq: ZFOX), an enterprise software-as-a-service leader in external cybersecurity, announced that it has completed the acquisition of LookingGlass Cyber Solutions, Inc., a leader in external attack surface management and global threat intelligence. "This acquisition strengthens our position in the external cybersecurity market and expands our platform's attack surface intelligence capabilities", says James C. Foster, the chairman and CEO of ZeroFox.

Target Acquiror



Closed Sector

April 20, 2023 Cyber

## Description

Engineering Solutions LLC (ESi) and Meadowgate Technologies LLC announced they are combining to create a market leader in hybrid technology solutions and professional services for the national security community. The new company will be led by Meadowgate CEO Tom Lash, a former national security leader at AWS' Federal Division, who joined Meadowgate earlier this year. He is spearheading a strategy to build a business aligned with growing customer demand for the unique operational agility and security that advanced hybrid solutions can deliver.

Source: <https://www.zerofox.com/press-release/zerofox-acquires-lookingglass/>.

# Recent Intel Community and Cyber Transaction Highlights



Closed  
June 18, 2023

Sector  
Cyber

## Description

Exacom, a leading provider of mission-critical communication recording solutions, announced that it has acquired SecuLore Solutions, a company specializing in cybersecurity solutions for public safety, critical infrastructure, and local governments. As a result of the acquisition, Exacom adds security services to its portfolio to ensure public safety customers are protected from cyber-attacks through monitoring and proactive recommendations.



Closed  
June 1, 2023

Sector  
Intel & Cyber

## Description

iNovex, a provider of software development solutions focused on cybersecurity, Signals Intelligence, data analysis, and robotic process automation for the Intelligence Community, announced that it has reached a deal to acquire Secure Innovations, a leading cybersecurity business serving the Intelligence Community and Department of Defense. Secure Innovations is primarily focused on Defensive Cyber Operations, Systems Security Engineering, Security Automation, Cybersecurity Solutions, Information Security Training, and Vulnerability Assessment and Penetration Testing. iNovex is a portfolio company of Enlightenment Capital.



Closed  
May 29, 2023

Sector  
Cyber

## Description

SilverEdge Government Solutions ("SilverEdge"), a leading cybersecurity, software, and intelligence solutions platform serving the U.S. Defense and Intelligence Communities, announced the acquisition of Gardetto Engineering, LLC ("Gardetto"), an engineering services company specializing in digital design, hardware design, and systems engineering. SilverEdge is a portfolio company of Godspeed Capital.



Closed  
May 24, 2023

Sector  
Cyber

## Description

Agile Defense, an end-to-end provider of large-scale, digital transformations solutions to the Department of Defense (DoD) and other national security customers, announced that it has acquired XOR Security, an innovative provider of cybersecurity operations, cybersecurity engineering, and virtual security operation center offerings that protect enterprise systems used by the Federal Government and commercial customers. Agile now boasts an employee base of approximately 1,000 cleared personnel. Agile Defense is a portfolio company of Enlightenment Capital.



As we monitor the Government Contracting Industry, we have classified some of the largest government contractors into three main industry sub sectors defined below.

## Multi-Platform Defense Primes

Companies typically involved in the interdisciplinary fields of engineering and engineering management in the delivery of defense related products and services. This includes, but is not limited to weaponry, munitions, electronics and cyber related products and services.



## Government Services

Government contractors focused on the delivery of professional services. These services typically augment or support engineering, IT and software development, cyber security project-based initiatives or bolster the Government ability to provide for the national defense.

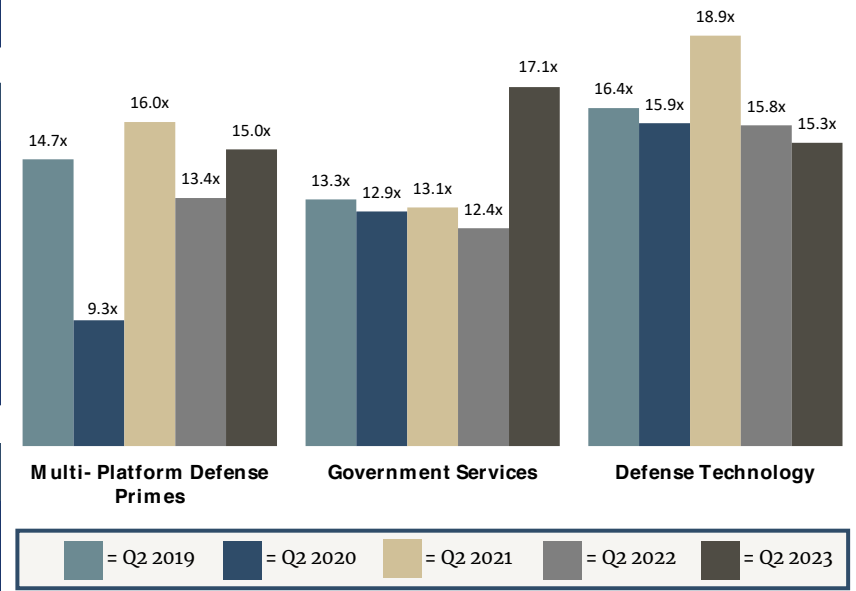


## Defense Technology

Defense prime contractors specialize in the design, construction and support of defense-based products and services. Their work with the Federal Government is typically in a prime contracting relationship as they manage their supply chains and furnish services, supplies or construction to the Government.



## Historical TEV/TTM EBITDA Multiples

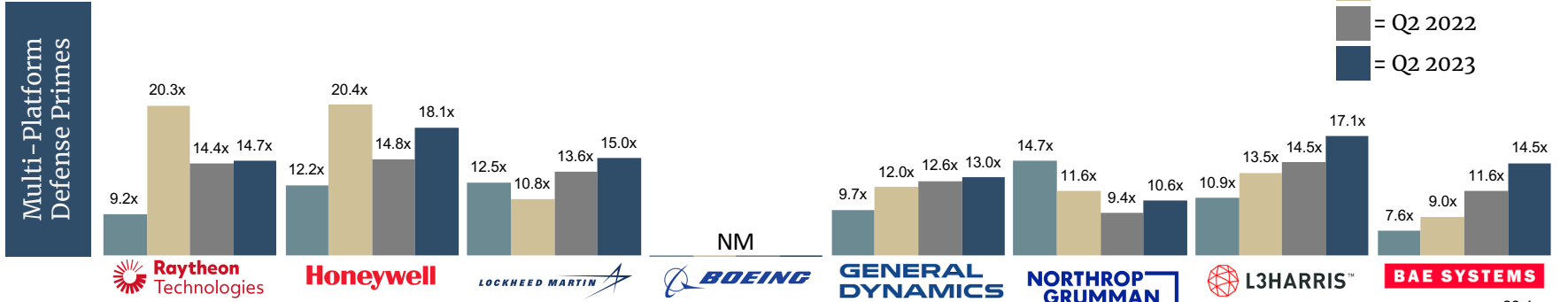


Note: Multiples are based on a weighted average by market capitalization

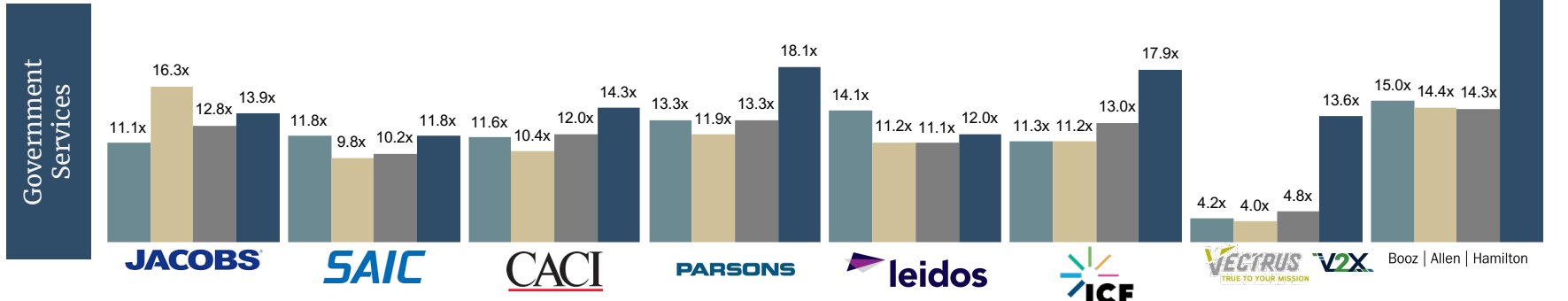
# Historical TEV/TTM EBITDA Public Market Trends



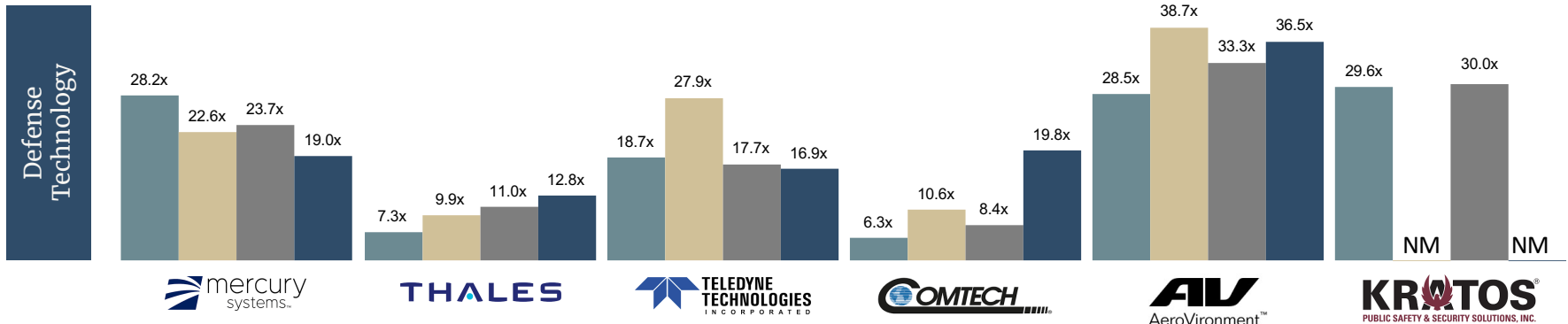
■ = Q2 2020  
■ = Q2 2021  
■ = Q2 2022  
■ = Q2 2023



Note: Boeing's TEV/TTM EBITDA multiple has been not meaningful due to low or negative earnings



Note: Vectrus and Vertex combined in July 2022. Multiples prior to 2022 are Vectrus, while anytime after Q4 2022 is V2X.



# Public Market Data



## Multi-Platform Defense Primes

Company	Market Data				Financial Performance						Enterprise Value /			
	Price	% of 52 Week High	Market Cap	Enterprise Value	LTM 2023			2023E			Revenue		EBITDA	
					Revenue	EBITDA	EBITDA %	Revenue	EBITDA	EBITDA %	LTM	2023E	LTM	2023E
Raytheon Technologies Corporation	\$97.96	90.0%	\$142,836	\$174,643	\$68,572	\$11,880	17.3%	\$72,704	\$12,840	17.7%	2.55x	2.40x	14.7x	13.6x
The Boeing Company	211.6	94.3%	127,032	167,680	70,538	2,045	2.9%	77,894	4,407	5.7%	2.38x	2.15x	NM	38.0x
Honeywell International Inc.	207.50	93.9%	138,077	151,551	35,954	8,382	23.3%	36,999	9,438	25.5%	4.22x	4.10x	18.1x	16.1x
Lockheed Martin Corporation	460.38	90.6%	116,592	129,752	66,146	8,678	13.1%	65,786	9,864	15.0%	196x	197x	15.0x	13.2x
Northrop Grumman Corporation	455.80	81.9%	69,218	81,641	36,602	7,680	21.0%	38,416	5,348	13.9%	2.23x	2.13x	10.6x	15.3x
General Dynamics Corporation	215.15	83.8%	58,918	68,978	39,896	5,315	13.3%	41,488	5,345	12.9%	173x	166x	13.0x	12.9x
L3Harris Technologies, Inc.	195.77	76.7%	37,089	47,360	17,430	2,763	15.9%	17,851	3,432	19.2%	2.72x	2.65x	17.1x	13.8x
BAE Systems plc (United Kingdom)	117.8	89.4%	39,043	43,895	25,614	3,038	11.9%	30,780	4,106	13.3%	171x	143x	14.5x	10.7x
Mean		87.6%					14.8%			15.4%	2.44x	2.31x	14.7x	16.7x
Median		89.7%					14.6%			14.5%	2.30x	2.14x	14.7x	13.7x

## Government Services

Jacobs Solutions Inc.	\$118.89	86.1%	\$15,081	\$18,766	\$15,585	\$1,353	8.7%	\$16,042	\$1,457	9.1%	120x	117x	13.9x	12.9x
Leidos Holdings, Inc.	88.48	79.8%	12,137	17,389	14,601	1,449	9.9%	15,023	1,532	10.2%	119x	116x	12.0x	11.4x
Booz Allen Hamilton Holding Corporation	111.60	99.2%	14,618	17,265	9,259	608	6.6%	9,217	1,012	11.0%	186x	187x	28.4x	17.1x
CACI International Inc	340.84	99.4%	7,769	9,746	6,642	680	10.2%	6,726	721	10.7%	147x	145x	14.3x	13.5x
Science Applications International Corporation	112.48	95.4%	6,038	8,141	7,736	692	8.9%	7,594	674	8.9%	105x	107x	11.8x	12.1x
Parsons Corporation	48.14	96.0%	5,048	5,801	4,420	320	7.2%	4,656	401	8.6%	131x	125x	18.1x	14.5x
ICF International, Inc.	124.39	96.7%	2,337	3,151	1,850	176	9.5%	1,984	214	10.8%	170x	159x	17.9x	14.7x
V2X, Inc.	49.56	97.2%	1,537	2,819	3,378	207	6.1%	3,852	302	7.8%	0.83x	0.73x	13.6x	9.3x
Mean		93.7%					8.4%			9.6%	1.33x	1.29x	16.2x	13.2x
Median		96.3%					8.8%			9.6%	1.26x	1.21x	14.1x	13.2x

## Defense Technology

Thales S.A. (France)	\$149.78	95.2%	\$31,474	\$31,882	\$18,776	\$2,482	13.2%	\$20,136	\$3,157	15.7%	170x	158x	12.8x	10.1x
Teledyne Technologies Incorporated	411.11	91.6%	19,341	22,500	5,521	1,330	24.1%	5,734	1,397	24.4%	4.08x	3.92x	16.9x	16.1x
AeroVironment, Inc.	102.28	91.0%	2,663	2,693	541	74	13.6%	520	91	17.5%	4.98x	5.18x	36.5x	29.6x
Mercury Systems, Inc.	34.59	53.2%	2,013	2,531	1,010	133	13.2%	1,003	170	16.9%	2.51x	2.52x	19.0x	14.9x
Kratos Defense & Security Solutions, Inc.	14.34	88.4%	1,830	2,148	934	38	4.1%	994	88	8.8%	2.30x	2.16x	NM	24.5x
Comtech Telecommunications Corp.	9.14	54.2%	255	554	528	28	5.3%	541	48	8.9%	105x	102x	19.8x	11.5x
Mean		78.9%					12.3%			15.4%	2.77x	2.73x	21.0x	17.8x
Median		89.7%					13.2%			16.3%	2.40x	2.34x	19.0x	15.5x

Source: S&P Capital IQ Data as of 06/30/2023



# CCA Government Services & Defense Indices Stock Performance

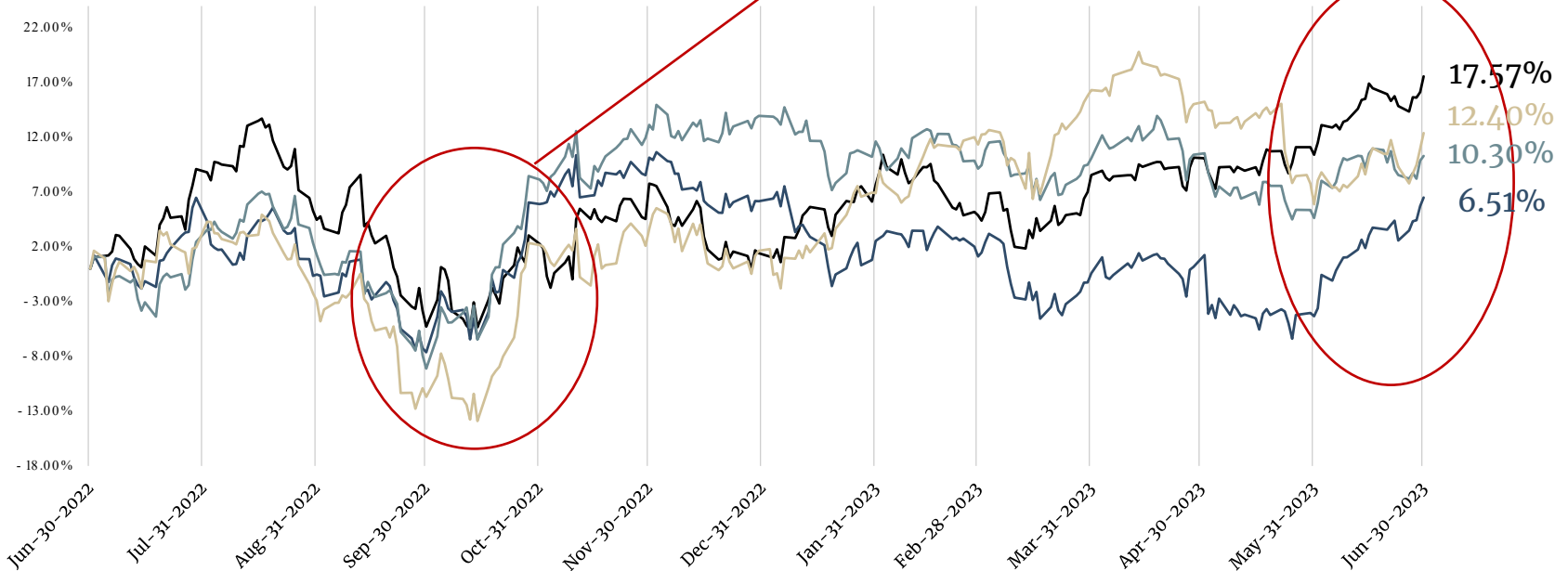


## Legend



October 2022: The broader market rebounded despite fears of rising inflation.

June 2023: Markets rallied after the decision to push debt ceiling resolutions into 2025, coupled with a cap on defense spending in FY 2024.



## Commentary

- Despite growing demand due to the war in Ukraine and tensions rising in Taiwan, many defense companies are struggling to meet demand amid labor shortages.
- Government contractors are constrained by supply chain issues as small suppliers are squeezed by inflationary pressure, although there has been some easing.

# Selected GovCon Precedent Transactions in Q2 2023



Date Signed	Target / Acquirer	Target Business Description
Jun-23	Joint Research and Development, Inc. (JRAD) / Broadtree Partners, LLC [Sayres and Associates Corp.]	Joint Research And Development, Inc. provides test and evaluation services.
Jun-23	Seculore Solutions LLC / Exacom, Inc.	SecuLore operates as a cybersecurity company for public safety.
Jun-23	Enquizit, Inc. / CDW Corp.	Enquizit Inc. provides information technology consulting services in cloud application development, DevOps, agile and lean methodologies, cloud architecture, cloud migration and governance, business transformation, enterprise application refactoring, big data analytics, serverless systems, artificial intelligence and machine learning, and ITIL strategy.
Jun-23	Secure Innovations, LLC / Enlightenment Capital [iNovex Information Systems, Inc.]	Secure Innovations, LLC provides cyber security solutions to the defense and intelligence community.
May-23	Gardetto Engineering LLC / Godspeed Capital Management LP [SilverEdge Government Solutions, LLC]	Gardetto Engineering, LLC provides digital and hardware designs, and system engineering services.
May-23	Replicon, Inc. / Roper Technologies, Inc. [Deltek, Inc.]	Replicon Inc. develops Software-as-a-Service based timesheet and expense management software solutions for corporations worldwide.
May-23	XOR Security LLC / Enlightenment Capital [Agile Defense]	XOR Security LLC offers cybersecurity services.
May-23	Fregata Systems, LLC / FR Capital	Fregata Systems is a data management and communications technology provider.
May-23	INNOPLEX, LLC / Enlightenment Capital [iNovex Information Systems, Inc.]	Innoplex, LLC operates as a software engineering company for cybersecurity, signals intelligence, cloud infrastructure and information technology operations.
May-23	Precise Systems, Inc. / Bluestone Investment Partners, LLC	Precise Systems Inc. is an aerospace and defense company.
May-23	La Jolla Logic, Inc. / Enlightenment Capital [Boecore, Inc.]	La Jolla Logic, Inc. operates as an advanced technology and information system security solution firm.
May-23	VSE Federal and Defense Services Group / Bernhard Capital Partners Management, LP	VSEs core capabilities include U.S. and partner nation naval asset program management, aircraft maintenance and modernization, land-based platform maintenance and modernization, logistics & distribution, data management solutions, and energy efficiency consulting.
Apr-23	Vysnova Partners, Inc. / Hale Capital Partners [Culmen International, LLC]	Vysnova Partners Inc. is a program management firm.
Apr-23	Eclipse Engineering LLC / Lentech, Inc.	Eclipse Engineering, LLC is a provider of software and IT solutions to the Intelligence Community (IC) and Department of Defense (DoD).
Apr-23	Broadleaf, Inc. / Arctic Slope Regional Corp. [ASRC Federal]	Broadleaf, Inc. provides leading information technology services including cybersecurity, network engineering and cloud migration, as well as professional services including training and program management.
Apr-23	Engineering Solutions, Inc. / Meadowgate Technologies LLC	ESI provides software and systems engineering, IT management, enterprise resiliency, and SIGINT operations / analysis to intelligence community customers.
Apr-23	Miracle Systems, LLC / Renovus Capital Partners	Miracle Systems, LLC provides consulting and operation management services for government agencies.
Apr-23	LookingGlass Cyber Solutions, Inc. / Zerofox, Inc.	LookingGlass Cyber Solutions, Inc. designs and develops threat protection solutions against cyberattacks.
Apr-23	Pinnacle Solutions, Inc. (PSI) / NANA Regional Corp. [Akima, LLC]	Pinnacle Solutions provides advanced simulation and training solutions with virtual reality, augmented reality, and web-based systems.
Apr-23	Vector Planning & Services, Inc. (VPSI) / Chugach Alaska Corp. [Chugach Government Solutions, LLC]	VPSI provides cutting edge technical solutions in cybersecurity and information assurance, systems engineering and acquisition management, along with IT and cloud system integration capabilities focused on the federal government customer.
Apr-23	Verus Technology Group, Inc. / Arlington Capital Partners [BlueHalo, LLC]	Verus Technology Group, Inc. develops and manufactures counter-Unmanned Aerial Systems (c-UAS) products and security technology.

Note: Entities in brackets represent the subsidiary or portfolio company involved in the transaction

# How CCA Helps Government Contractors



## Strategy & Corporate Advisory

Chesapeake Corporate Advisors provides a framework for business owners to focus on building sustainable value and to explore their succession and exit alternatives. We use our proprietary tools and methodologies to assess the market and maximize value through strategy.

## Investment Banking Services

CCA is a leading investment bank with extensive expertise in mergers, acquisitions, divestitures, and corporate advisory. We use a comprehensive approach to assist clients develop and execute a buy-side, sell-side or recapitalization strategy domestically and in cross-border transactions.

## Business Valuations & Financial Opinions

At CCA, understanding shareholder value is at the center of everything that we do. Our analysis considers the feasibility of mergers, acquisitions, divestitures, ESOPs, management buy-outs and recapitalizations. We provide an objective, assessment of value that is deeply rooted in qualitative and quantitative analysis using our proprietary methodologies.

CCA's Government Contracting team is a blend of Corporate Advisory, Investment Banking, and Government Contracting Executives. We have worked with dozens of companies in projects ranging from Sell Side Investment Banking, to Ownership Alternatives, to Valuations to Boards of Directors.



# The CCA Government Contracting Team



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