

# Q3 2023 | INDUSTRY UPDATE

## Defense & Government

---



Prepared by:  
Chesapeake Corporate Advisors  
October 2023

### IN THIS ISSUE

Firm Overview	2
Key Themes	3
M&A Activity	4
Market Multiples	7



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

\$3.4Bn

Aggregate Tx value

20 years

Average experience

28

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.*

## New Cyber Threat Hunting Tool

- HII announce the development of a small form factor prototype kit for cyber threat hunting that is designed to detect and counter malicious activity on U.S. federal and mission partner nation networks. The kit, called SABERHUNT, adapts to fit mission needs and can hunt on a traditional partner network or in a cloud or hybrid environment customized solutions.

## IC Data Strategy Released

- The Office of the Director of National Intelligence releases the Intelligence Community (IC) Data Strategy for 2023–2025. The strategy provides focus areas and actions for all 18 IC elements to accelerate their adoption of common services and efforts to make data more interoperable, discoverable, and artificial intelligence-ready for both people and machines.

## CACI Awarded Intel Analyst Contract

- CACI International Inc (NYSE: CACI) announced today that it was awarded a mission expertise contract valued at up to \$2.7 billion to provide network and exploitation analysis to the National Security Agency’s (NSA) foreign intelligence and cybersecurity missions. The contract was heavily competed in the marketplace.

## Parsons Secures CYBERCOM Contract

- Parsons (NYSE: PSN) was awarded a potential five-year, \$109 million contract to continue assisting the U.S. Cyber Command in its development of command, control, communications, computers and capabilities. The Centreville, Virginia-headquartered defense contractor said the classified award covers work previously done as part of C4 Capabilities Development and C4CD Bridge contracts.

## IronNet Ceases Operations

- On September 29<sup>th</sup>, IronNet ceased all business activities and operations and terminated its remaining employees after considering strategic alternatives and finding additional sources of liquidity unavailable. IronNet's board directed the company to file a voluntary petition for bankruptcy protection as expeditiously as possible. IronNet was founded by the former Director of the NSA, GEN (Ret) Keith Alexander.

## Deltek acquires Replicon

- Deltek, the leading global provider of software and solutions for project-based businesses, completed its acquisition of Replicon – a global provider of unified time tracking solutions that brings together Project Delivery, Finance and HR on a single platform. Deltek’s CostPoint product is widely used in the Government Contracting Community but has lost market share recently to Unanet.

# CCA Serves as the Exclusive Financial Advisor for Two Recent Deals



## Target

## Acquiror



### Closed

August 23, 2023

### Sector

Intel & Cyber

### Description

Chesapeake Corporate Advisors (“CCA”) served as the exclusive financial advisor to Sealing Technologies, Inc. (“SealingTech” or the “Company”), in its sale to Parsons Corporation in a transaction valued at up to \$200 million, including \$175 million in cash at closing. SealingTech, a Columbia, MD based company, focuses on protecting and defending their customers’ networks and systems through cutting edge research, products, engineering, and integration services for the Internet of Things (IoT), edge combat operations, AI and ML, and cloud industries. The Company delivers innovative cybersecurity solutions across defensive cyber operations, critical infrastructure network protection, and secure data management. SealingTech is a prime contractor on over 90% of its federal contracts and is directly aligned with high-impact national security initiatives. Over 70% of the Company’s employees hold security clearances.

## Target

## Acquiror



### Closed

August 1, 2023

### Sector


Intel & Cyber

### Description

Chesapeake Corporate Advisors (“CCA”) served as the exclusive financial advisor to Cyber Cloud Technologies, LLC (“Cyber Cloud” or the “Company”), an information technology services firm that provides a suite of enterprise IT services to the Federal Government, including cybersecurity and cloud services, in its sale to T-Rex Solutions, LLC (“T-Rex”), a leading IT professional services firm that helps the Federal Government modernize, protect, and scale its systems and data. This transaction expands T-Rex’s service offerings within the national security business area, where the Company continues to provide agile, innovative IT solutions. The acquisition will enhance T-Rex’s footprint within the intelligence community and provide increased career growth opportunities for cleared employees, the Company said. “Cyber Cloud Technologies and T-Rex have a similar company culture and dedication to mission that sets this collaboration up for success,” said Cyber Cloud Technologies CEO Frank ‘Kip’ Kippenbrock.









# Recent Government Technology Services Transaction Highlights



Target	Acquirer	Target	Acquirer	Target	Acquirer	Target	Acquirer
							
<u>Closed</u>	<u>Sector</u>	<u>Closed</u>	<u>Sector</u>	<u>Closed</u>	<u>Sector</u>	<u>Closed</u>	<u>Sector</u>
September 6, 2023	Gov-Tech	September 20, 2023	Gov-Tech	September 12, 2023	Gov-Tech	August 2, 2023	Gov-Tech
<b>Description</b>		<b>Description</b>		<b>Description</b>		<b>Description</b>	
<p>Systems Planning &amp; Analysis (“SPA”), a leading global provider of innovative solutions in support of complex national security programs and defense priorities, has acquired PRKK, LLC (“PRKK”). Founded in 2006, PRKK’s mission is the advancement of Space Domain Awareness and Space Superiority. Systems Planning and Analysis, Inc. is a portfolio company of Arlington Capital Partners.</p>		<p>Proteus Capital Solutions, a Maryland-based private equity firm, has bought CSSI. Founded in 1990 and headquartered in Washington, D.C., CSSI works to improve national air transportation networks. The company offers transportation services using capabilities such as software development, systems engineering and integration, acquisition and program management, safety management, modeling, simulation, research and analysis. CSSI has over 175 employees and operates in five locations while serving customers across the U.S. and around the world.</p>		<p>ManTech International Corporation has completed the acquisition of Definitive Logic, a leading provider of digital transformation consulting and technology solutions for Defense, Homeland Security and Federal Civilian agencies. Based in Arlington, VA, Definitive Logic is a prominent player in the government contracting industry, respected for its strategic advisory capabilities in business system transformation for government customers. ManTech is a portfolio company of The Carlyle Group.</p>		<p>Arlington Capital Partners, a Washington, DC-based private equity firm, today announced that it acquired Integrated Data Services, Inc. (“IDS”). IDS’ co-founders Jerome Murray and James Truhe retained a minority stake in IDS as part of the transaction. Founded in 1997 and headquartered in El Segundo, CA, IDS is a leading provider of software and technology-enabled support and development for Federal Government customers.</p>	

# Recent Government Technology Services Transaction Highlights



Target	Acquiror	Target	Acquiror	Target	Acquiror	Target	Acquiror
							
<u>Closed</u>	<u>Sector</u>	<u>Closed</u>	<u>Sector</u>	<u>Closed</u>	<u>Sector</u>	<u>Closed</u>	<u>Sector</u>
August 22, 2023	Intel & Cyber	July 18, 2023	Gov-Tech	July 3, 2023	Gov-Tech	July 13, 2023	Intel & Cyber
<b>Description</b>		<b>Description</b>		<b>Description</b>		<b>Description</b>	
<p>Owl Cyber Defense, the leading provider of hardware-enforced cyber security solutions for military, national security, intelligence and critical infrastructure organizations, announced that it has acquired Big Bad Wolf Security – a Maryland-based technology company focused on next generation cloud infrastructure security for government and commercial applications. Owl Cyber Defense Solutions is a portfolio company of DC Capital Partners.</p>		<p>IMB Partners ("IMB"), a leading middle market private equity firm specializing in utility, industrial, and government contracting services announced its strategic investment in eTelligent Group, a premier provider of emerging technologies and program management solutions to the U.S. Government. Founded in 2005, eTel has been leading the enterprise-wide transformation of critical business systems by managing the implementation and engineering of emerging technologies.</p>		<p>Akima, a premier provider of products and services to the Federal Government, announced that it has completed the acquisition of Pinnacle Solutions, Inc., a leading provider of innovative training and sustainment products and services to defense customers around the globe. The acquisition expands Akima's aviation and training capabilities in the defense market and will further enable the company to provide significant value to its customers in the demanding aerospace industry.</p>		<p>The Swift Group, LLC announced its acquisition of OPS Consulting, an innovative solutions provider with advanced technologies in data analytics, high performance computing, and threat mitigation. OPS provides highly specialized mission critical technology services and solutions which support the U.S. Intelligence Community ("IC") and Department of Defense ("DoD").</p>	



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.

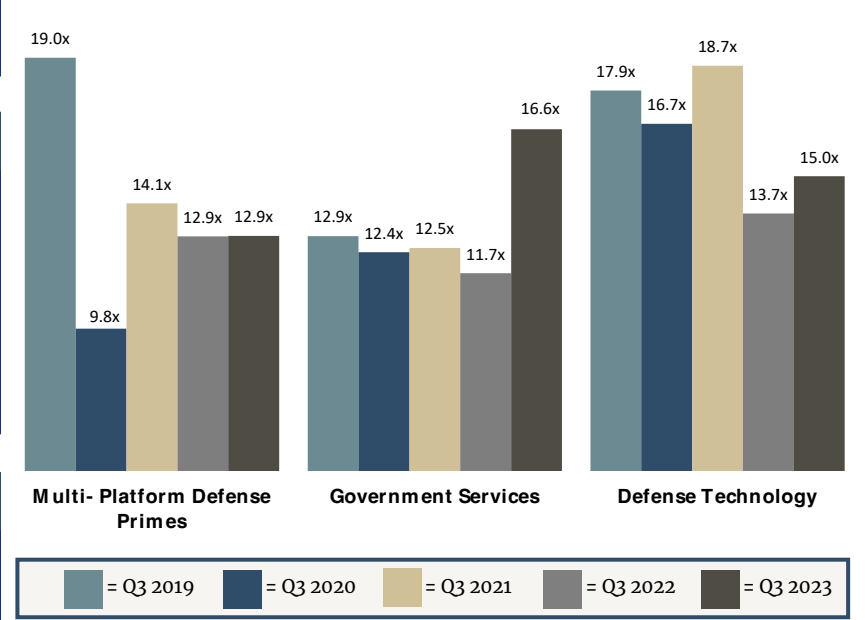


## Defense Technology

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

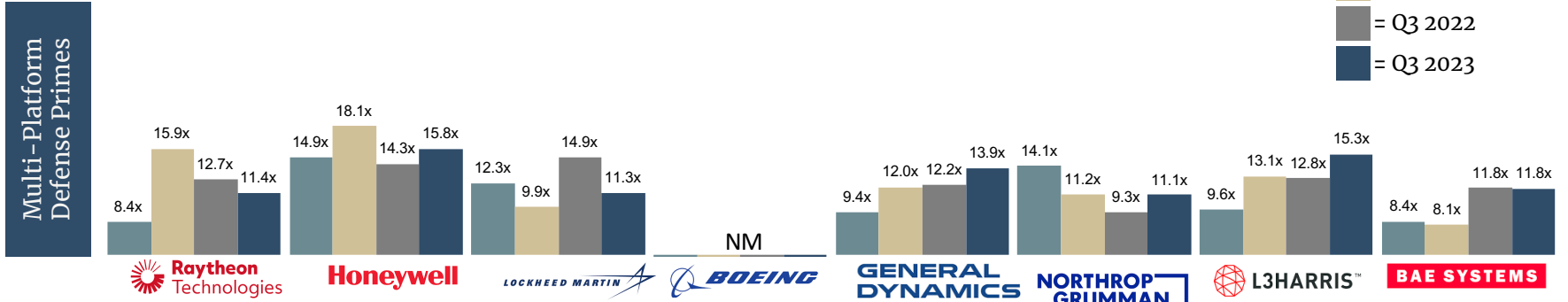


Note: Multiples are based on a weighted average by market capitalization

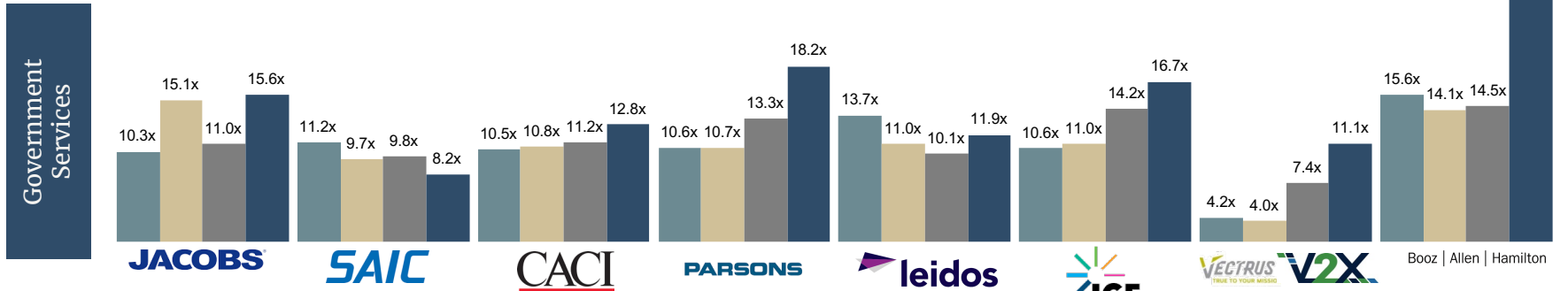
# Historical TEV/TTM EBITDA Public Market Trends



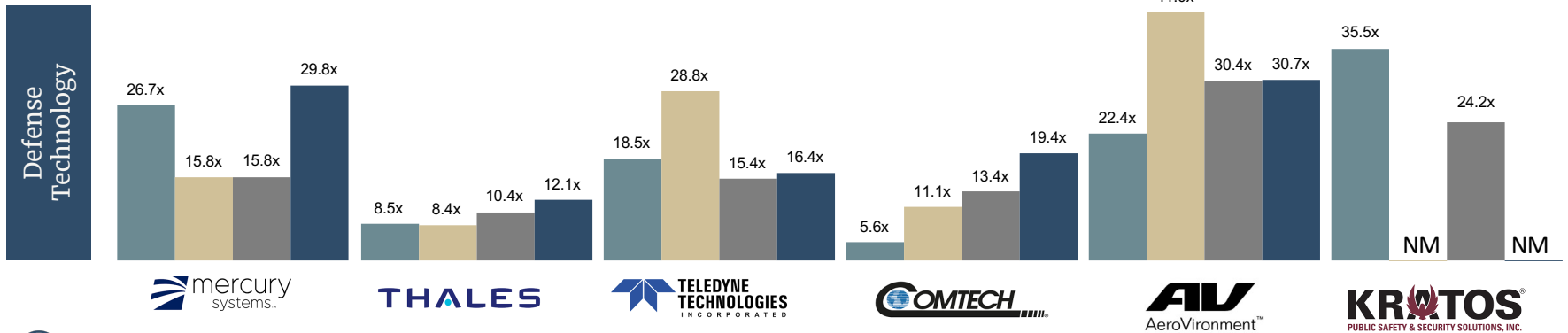
■ = Q3 2020  
■ = Q3 2021  
■ = Q3 2022  
■ = Q3 2023



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 /			
	(\$ in millions, except share price)				LTM 2023			2023E			Revenue		EBITDA	
	Price	% of 52 Week High	Market Cap	Enterprise Value	Revenue	EBITDA	EBITDA %	Revenue	EBITDA	EBITDA %	LTM	2023E	LTM	2023E
The Boeing Company	\$191.68	78.8%	\$115,622	\$154,152	\$73,608	\$1,075	15%	\$78,502	\$3,010	3.8%	2.09x	1.96x	NM	NM
RIX Corporation	71.97	66.1%	104,506	137,645	70,573	12,088	17.1%	72,804	12,934	17.8%	1.95x	1.89x	11.4x	10.6x
Honeywell International Inc.	184.74	83.6%	122,660	136,857	36,147	8,656	23.9%	36,965	9,486	25.7%	3.79x	3.70x	15.8x	14.4x
Lockheed Martin Corporation	408.96	80.5%	102,989	116,861	67,393	10,301	15.3%	66,628	9,895	14.9%	1.73x	1.75x	11.3x	11.8x
Northrop Grumman Corporation	440.19	79.1%	66,601	80,661	37,881	7,243	19.1%	38,727	5,338	13.8%	2.13x	2.08x	11.1x	15.1x
General Dynamics Corporation	220.97	86.0%	60,226	70,557	40,859	5,081	12.4%	42,506	5,330	12.5%	1.73x	1.66x	13.9x	13.2x
L3Harris Technologies, Inc.	174.12	68.3%	32,932	42,193	17,988	2,760	15.3%	19,305	3,468	18.0%	2.35x	2.19x	15.3x	12.2x
BAE Systems plc (United Kingdom)	12.18	93.7%	36,950	41,536	28,613	3,528	12.3%	30,159	3,997	13.3%	1.45x	1.38x	11.8x	10.4x
Mean		79.5%					14.6%			15.0%	2.15x	2.08x	12.9x	12.5x
Median		79.8%					15.3%			14.3%	2.02x	1.93x	11.8x	12.2x

## Government Services

Jacobs Solutions Inc.	\$136.50	99.0%	\$17,188	\$20,715	\$15,945	\$1,332	8.4%	\$16,184	\$1,448	8.9%	1.30x	1.28x	15.6x	14.3x
Leidos Holdings, Inc.	92.16	83.1%	12,658	17,827	14,842	1,504	10.1%	15,116	1,556	10.3%	1.20x	1.18x	11.9x	11.5x
Booz Allen Hamilton Holding Corporation	109.27	87.3%	14,319	17,215	9,664	637	6.6%	9,217	1,012	11.0%	1.78x	1.87x	27.0x	17.0x
CACI International Inc	313.93	87.4%	7,113	9,069	6,703	709	10.6%	6,727	722	10.7%	1.35x	1.35x	12.8x	12.6x
Science Applications International Corporation	105.54	85.4%	5,587	7,650	7,689	932	12.1%	7,594	674	8.9%	0.99x	1.01x	8.2x	11.3x
Parsons Corporation	54.35	94.5%	5,701	6,530	4,767	359	7.5%	5,015	433	8.6%	1.37x	1.30x	18.2x	15.1x
ICF International, Inc.	120.81	88.3%	2,273	3,085	1,927	185	9.6%	1,983	213	10.7%	1.60x	1.56x	16.7x	14.5x
V2X, Inc.	51.66	91.0%	1,611	2,777	3,858	251	6.5%	3,900	303	7.8%	0.72x	0.71x	11.1x	9.2x
Mean		89.5%					8.9%			9.6%	1.29x	1.28x	15.2x	13.2x
Median		87.8%					9.0%			9.6%	1.33x	1.29x	14.2x	13.4x

## Defense Technology

Thales S.A. (France)	\$140.88	92.3%	\$29,369	\$30,459	\$19,682	\$2,509	12.7%	\$19,433	\$3,001	15.4%	1.55x	1.57x	12.1x	10.2x
Teledyne Technologies Incorporated	408.58	91.1%	19,234	22,227	5,590	1,354	24.2%	5,730	1,382	24.1%	3.98x	3.88x	16.4x	16.1x
AeroVironment, Inc.	111.53	89.7%	2,912	2,962	584	97	16.5%	520	91	17.5%	5.07x	5.70x	30.7x	32.6x
Mercury Systems, Inc.	37.09	62.7%	2,199	2,717	974	91	9.4%	1,003	170	16.9%	2.79x	2.71x	29.8x	16.0x
Kratos Defense & Security Solutions, Inc.	15.02	86.8%	1,923	2,229	967	42	4.3%	1,002	88	8.8%	2.31x	2.22x	NM	25.3x
Comtech Telecommunications Corp.	8.75	51.9%	244	543	528	28	5.3%	541	48	8.9%	1.03x	1.00x	19.4x	11.3x
Mean		79.1%					12.1%			15.3%	2.79x	2.85x	21.7x	18.6x
Median		88.3%					11.0%			16.2%	2.55x	2.47x	19.4x	16.0x

Source: S&P Capital IQ Data as of 09/29/2023

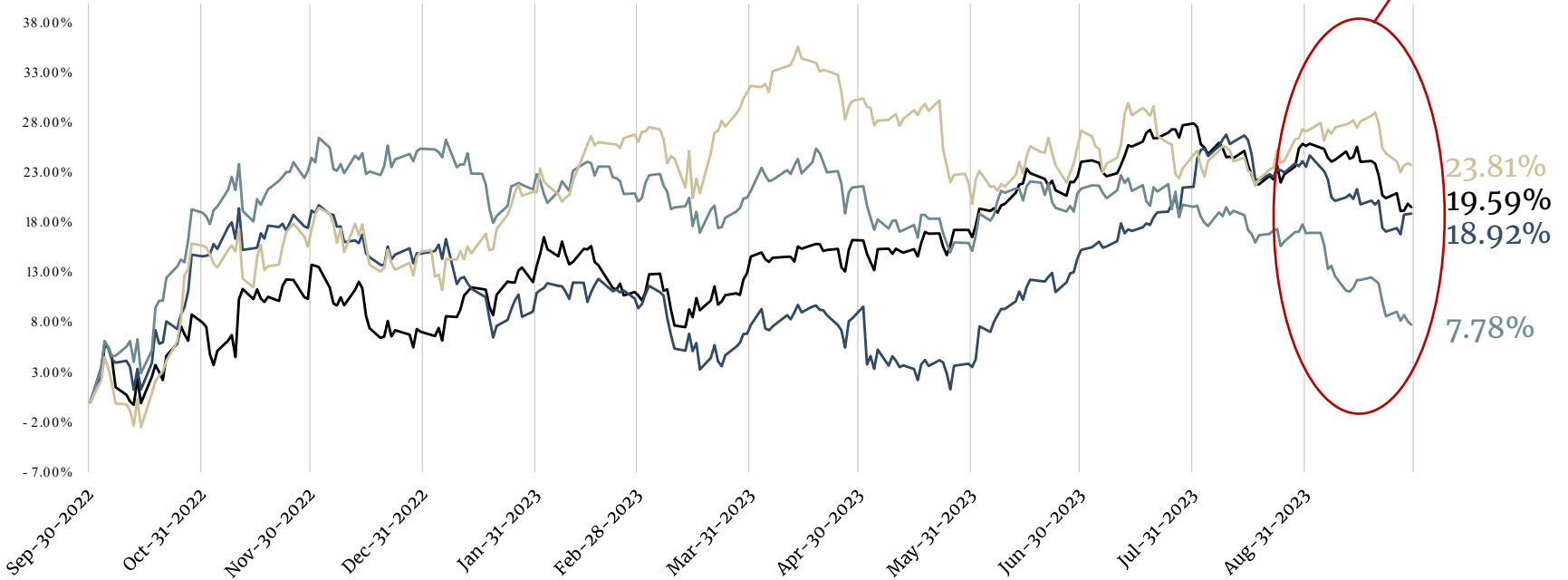
# CCA Government Services & Defense Indices Stock Performance



## Legend



Historically, stock performance in September is the worst compared to other months. For 2023, the underpinnings of the decline relate to higher interest rates, increasing oil prices, the risk of a potential government shutdown, inflation, and lower growth.



## Commentary

- In general, stock performance has rebounded with double-digit returns for the year ending September 30, 2023. The war in Ukraine continues as do heightened tensions in the South China Sea, driving demand for defense products and increasing defense spending.

# Selected GovCon Precedent Transactions in Q3 2023



CCA served as the exclusive financial advisor to both Sealing Technologies, Inc. and Cyber Cloud Technologies LLC in their sales to Parsons and T-Rex Solutions, respectively.

Date Signed	Target / Acquirer	Target Business Description
Sep-23	PRKK, LLC / Arlington Capital Partners [Systems Planning and Analysis, Inc. (SPA)]	PRKK LLC provides warfighter, systems engineering, threat intelligence analysis, cyber concept development, and analytics solutions in the United States.
Sep-23	CSSI, Inc. / Proteus Capital Solutions, LLC	CSSI, Inc. provides engineering, technical, and management solutions to government and commercial clients in the transportation industry in the United States and internationally.
Aug-23	Amigen, LLC / DC Capital Partners, LLC [SiOnyx, LLC]	Amigen LLC designs and develops digital imaging systems. The company offers customizable imaging system software including hardware interfaces, image processing, and test and verification solutions for commercial and defense sectors.
Aug-23	Sealing Technologies, Inc. / The Parsons Corp.	Sealing Technologies, Inc. rapidly delivers innovative cybersecurity solutions that modernize, protect and defend the networks and systems of the Federal Government and private industries.
Aug-23	Big Bad Wolf Security LLC / DC Capital Partners, LLC [Owl Cyber Defense Solutions, LLC]	Big Bad Wolf Security, LLC offers cloud infrastructure security services for government and commercial applications.
Aug-23	Ball Aerospace & Technologies Corp. / BAE Systems plc [BAE Systems Electronic Systems]	Ball Aerospace & Technologies Corp. develops and manufactures spacecraft, instruments and sensors, satellites, components, data exploitation systems, and RF solutions for strategic, tactical, and scientific applications.
Aug-23	Anser Advisory, LLC / Accenture plc	Anser Advisory, LLC offers capital program funding, program management, project management, construction management, and executive advisory services.
Aug-23	Integrated Data Services, Inc. (IDS) / Arlington Capital Partners	Integrated Data Services, LLC operates as an IT consulting company. The company offers services that include software application development, BI and analytics, CCAR administration, system ACQ support, financial and budget support, contract reconciliation, database administration, data integration, and CCAR formal and informal training.
Aug-23	Cloud Cyber Technologies LLC / T-Rex Solutions, LLC	Cyber Cloud Technologies is an information technology services firm that provides a suite of enterprise IT services to the federal government, including cybersecurity and cloud services.
Aug-23	Definitive Logic Corp. / The Carlyle Group [ManTech International Corp.]	Definitive Logic Corporation, a management and technology consulting firm, provides automation and integration services.
Jul-23	eTelligent Group LLC / IMB Partners	eTelligent Group LLC provides technologies and program management solutions to the U.S. Government. It provides services, such as Agile Dev and DevSecOps, Business Services, Cyber Security, IT Services, Program Management, and Web Services and Big Data.
Jul-23	Pinnacle Solutions, Inc. (PSI) / NANA Regional Corp. [Akima, LLC]	Pinnacle Solutions, Inc. provides simulation and training solutions to the Department of Defense, training system contractors, and weapon system original equipment manufacturers.
Jul-23	OPS Consulting LLC / The Swift Group Holdings LLC	OPS Consulting, LLC develops, engineers, and deploys mission solutions for the security of the U.S. and its allies. The company provides software engineering solutions throughout the phases of the software development lifecycle ranging from requirements analysis and design through implementation, testing, training, and installation.

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



**Charlie Maskell**  
**Managing Partner**  
[cmaskell@ccabalt.com](mailto:cmaskell@ccabalt.com)



**Marty O'Neill**  
**Managing Director**  
[moneill@ccabalt.com](mailto:moneill@ccabalt.com)



**Mike Zuidema**  
**Managing Director**  
[mzuidema@ccabalt.com](mailto:mzuidema@ccabalt.com)



**Tim Brasel**  
**Director**  
[tbrasel@ccabalt.com](mailto:tbrasel@ccabalt.com)



**Katie Kieran**  
**Vice President**  
[kkieran@ccabalt.com](mailto:kkieran@ccabalt.com)



**Andy Spears**  
**Vice President**  
[aspears@ccabalt.com](mailto:aspears@ccabalt.com)



**Frank Ihle**  
**Associate**  
[fihle@ccabalt.com](mailto:fihle@ccabalt.com)



**Aiden Olmstead**  
**Associate**  
[aolmstead@ccabalt.com](mailto:aolmstead@ccabalt.com)



chesapeake  
corporate advisors

410-537-5988

[www.ccabalt.com](http://www.ccabalt.com)

3600 O'Donnell Street  
Natty Boh West Tower  
Suite 810  
Baltimore, MD 21224