

Q1 2024 | INDUSTRY UPDATE

Defense & Government



Prepared by:
Chesapeake Corporate Advisors
April 2024

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CCA provides customized investment banking and corporate advisory services to lower 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 lower 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 lower 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.

ODNI Threat Assessment Released

- In March, the Office of the Director of National Intelligence released the 2024 Annual Threat Assessment of the U.S. Intelligence Community. This report reflects the insights of the Intelligence Community, which is committed every day to providing the nuanced, independent, and unvarnished intelligence that policymakers, warfighters, and domestic law enforcement personnel need to protect American lives and America's interests anywhere in the world.

USCYBERCOM Designated Federal Lab

- U.S. Cyber Command has achieved the federal laboratory designation, marking a key step in advancing cyber research and development initiatives. USCYBERCOM disclosed the milestone in a LinkedIn post published in February. As a federal lab, the combatant command could improve its capacity to promote innovation, advance collaboration with industry and academia, and contribute to the development of cybersecurity technologies.

Form SF-86 Being Replaced

- The Office of Management and Budget has approved the Personnel Vetting Questionnaire, or PVQ, to replace the Standard Form-86 used for federal jobs requiring security clearances and other legacy vetting questionnaires for non-sensitive and public trust positions, Federal News Network reported. The new form was cleared by OMB in November.

GSA Memo on SDVOSB Status

- The GSA has issued a memorandum requiring GSA contracting officers to verify whether a company is eligible for consideration for a set-aside or sole-source award under the Service-Disabled Veteran-Owned Small Business program. Starting in 2024, GSA contracting officers should confirm that an entity is certified by the SBA as an SDVOSB within SBA's Veteran Small Business Certification system.

Fort Meade Alliance Key Leaders

- The Fort Meade Alliance whose mission is to deliver positive, lasting impact for the people and mission of Ft Meade, hosts a Key Leaders Series on May 16th at the BWI Marriot. Wendy Noble, Deputy Director of the National Security Agency and Valerie Sheares Ashby, President of UMBC are among the featured speakers discussing what leaders of today should be focused on to best prepare them for meeting the needs of tomorrow's workforce.

CYBER GUARD 24

- March marked a significant stride in cybersecurity as U.S. Cyber Command's Exercise Cyber Guard 2024 convened cyber professionals from across the command for this year's first large-scale exercise. The goal of Cyber Guard 2024 is to hone defensive capabilities and fortify collective cyber resilience. This year's Cyber Guard integrated into the Large Scale Global Exercise (LSGE 24) for the first time, signifying a monumental collaboration.



Acquired by



A Portfolio Company of



Sell-Side Advisor



SoftTech Solutions Acquired by Synergy ECP

SoftTech Solutions, Inc. (“SoftTech Solutions”) is a custom software development firm that specializes in serving the U.S. Intelligence Community. SoftTech was acquired by Synergy ECP, a provider of software engineering, cybersecurity and systems engineering services, who is backed by Falfurrias Capital, based in Charlotte, North Carolina. With core capabilities in software engineering, big data and cloud computing, and informational retrieval systems, SoftTech employees average nearly 20 years of industry experience and provide on-contract technical leadership in key mission areas. Additionally, SoftTech Solutions engineers are the core contributors to the micro-learning gamification platform, SkillTree, which Intelligence Community customers rely on to train analysts on new and existing applications and tools.

Deal Team:

The CCA investment banking team on this transaction included Marty O’Neill, Managing Director, Andy Spears, Vice President, and Aidan Olmstead, Senior Analyst. Together, the CCA team advised on transaction strategy, conducted the negotiations and provided strategic advice throughout the engagement.

Recent Government Technology Services Transaction Highlights



Target

Acquiror

Target

Acquiror

Target

Acquiror

Target

Acquiror



Closed

Sector

Closed

Sector

Closed

Sector

Closed

Sector

April 1, 2024

Gov-Tech

March 26, 2024

IT Services

March 7, 2024

Gov-Tech

February 13, 2024

Intel & Cyber

Description

Chesapeake Technology International has purchased Asymmetric Technologies in a transaction that expands its portfolio of products and technology transition and hardware development capabilities to meet edge communications and flight autonomy requirements of Department of Defense and national security customers. CTI will integrate Asymmetric's IronClad and Whisper systems into its product portfolio as a result of the transaction. CTI is a portfolio company of Bluestone Investment Partners.

Description

Park Place Technologies has acquired SDV Solutions, a provider of client-centric data center infrastructure platforms for federal government agencies, for an undisclosed sum as part of efforts to expand its portfolio of managed services, professional services, hardware maintenance and other information technology services for federal clients. Established in 2004, SDV is a Virginia-based service-disabled veteran-owned small business and a multi-original equipment manufacturer focused on providing client-centric data center infrastructure platforms for the federal government.

Description

Systems Planning & Analysis has acquired a collection of technical advisory programs from ManTech that further extend the buyer's footprint across national security space and technology programs. The programs involved in this transaction are with the Defense Advanced Research Projects Agency, Defense Department's Strategic Capabilities Office, and what SPA describes as "select" initiatives at the National Reconnaissance Office. SPA is adding 180 employees in this move that grows its workforce to approximately 2,000 around the world and forecasted pro forma annual revenue to around \$600 million.

Description

Sigma Defense LLC, a portfolio company of Sagewind Capital and a leading provider to the U.S. Department of Defense, has announced the acquisition of San Diego, CA-based Juno Technologies. Juno Technologies specializes in delivering IT engineering, systems integration, software development, and technical support to the Department of Defense (DoD). This strategic move will enable Sigma Defense to quickly expand their software development, systems integration, engineering, and fleet support capabilities to provide new capabilities to existing customers and reach a broader range of customers across the DoD.

Recent Government Technology Services Transaction Highlights



Target

Acquiror



Closed

Sector

February 13, 2024

Gov-Tech

Description

BlueHalo, the company transforming the future of global defense, announced it will acquire Eqlipse Technologies, a leading provider of differentiated products and solutions to the DoD and IC. Bolstered by Eqlipse's high-end technical talent and suite of innovative products, BlueHalo will deliver enhanced scale and broader capabilities to its customers, accelerating the development and fielding of its advanced defense technologies. The combined entity will have a total employee count of nearly 2,400 across 11 states and annual revenue approaching \$1B.

Target

Acquiror



Closed

Sector

February 12, 2024

Intel & Cyber

Description

Godspeed Capital Management LP, a lower middle market Defense & Government services, solutions, and technology focused private equity firm, today announced the acquisition of TekMasters and Seaford Consulting by its Intelligence, AI/ML, and Data Analytics platform, Crimson Phoenix. The addition of these two businesses to the platform meaningfully expands Crimson Phoenix's capabilities and presence with its core Intelligence Community customers, and further advances its strategy to support their critical mission requirements.

Target

Acquiror



Closed

Sector

February 6, 2024

Intel & Cyber

Description

Xcelerate Solutions, a leading defense and national security company and portfolio company of McNally Capital, announced it has merged with VMD Corp. Based in Fairfax, Virginia, VMD is a cybersecurity, agile engineering, and critical infrastructure protection firm. The combined company will go to market as Xcelerate Solutions, offering a comprehensive, mission-first portfolio of secure solutions to the federal government. The combined company boasts an experienced team of over 1,000 technology professionals dedicated to delivering a broad spectrum of cybersecurity, enterprise, and infrastructure protection services focused on mission-first delivery.

Target

Acquiror



Closed

Sector

January 9, 2024

Gov-Tech

Description

Applied Insight LLC, a cloud and technology services leader in the government market backed by The Acacia Group, announced the acquisition of Zavda Technologies LLC, a fast-growing, veteran-owned technology and data services company. The strategic move deepens Applied Insight's footprint in the national security community and provides the Zavda team with wider opportunities for career advancement. It also strengthens Applied Insight's network and systems engineering and security, data analysis, and software development capabilities to better support the dynamic needs of the intelligence community.



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.

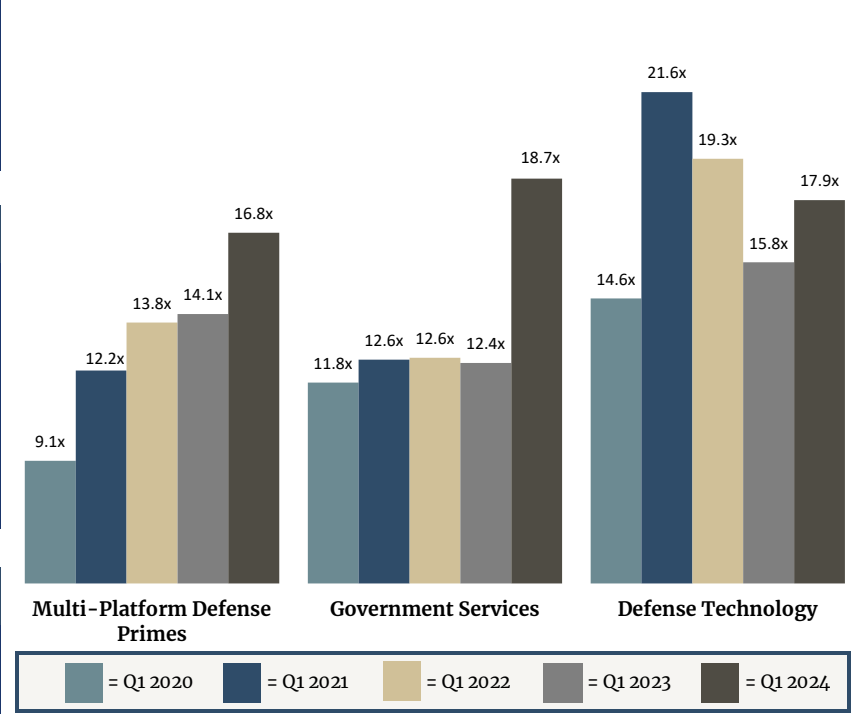
Government Services

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

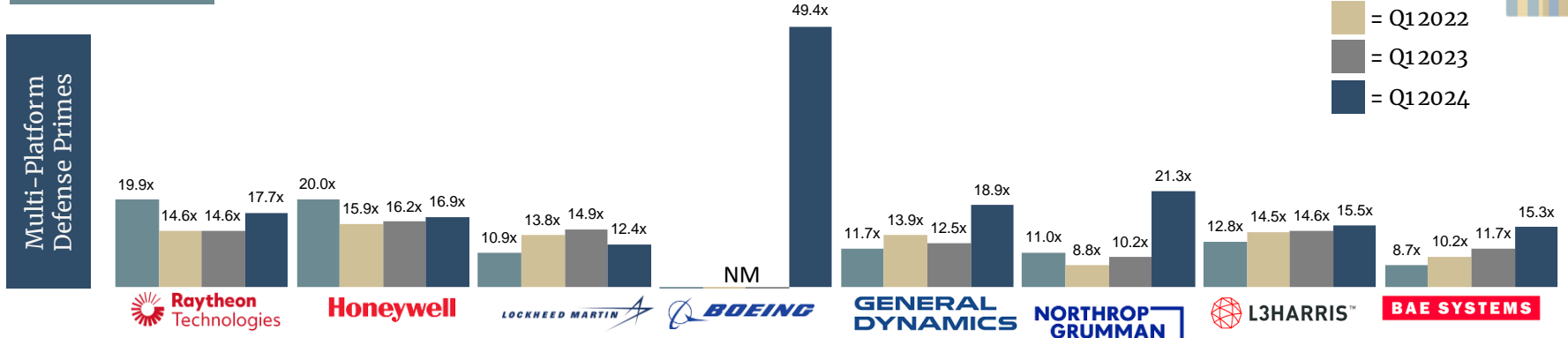


Note: Multiples are based on a weighted average by market capitalization

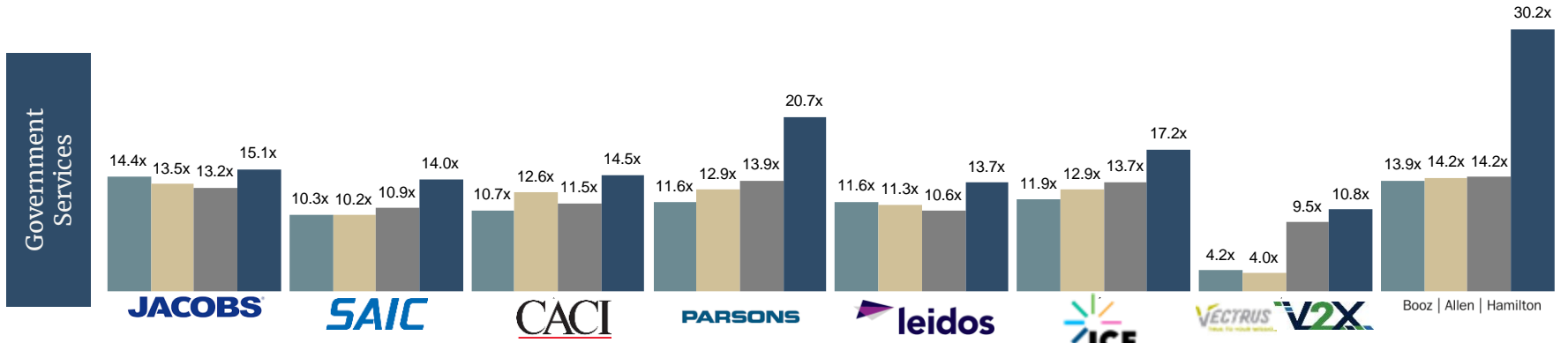
Historical TEV/TTM EBITDA Public Market Trends



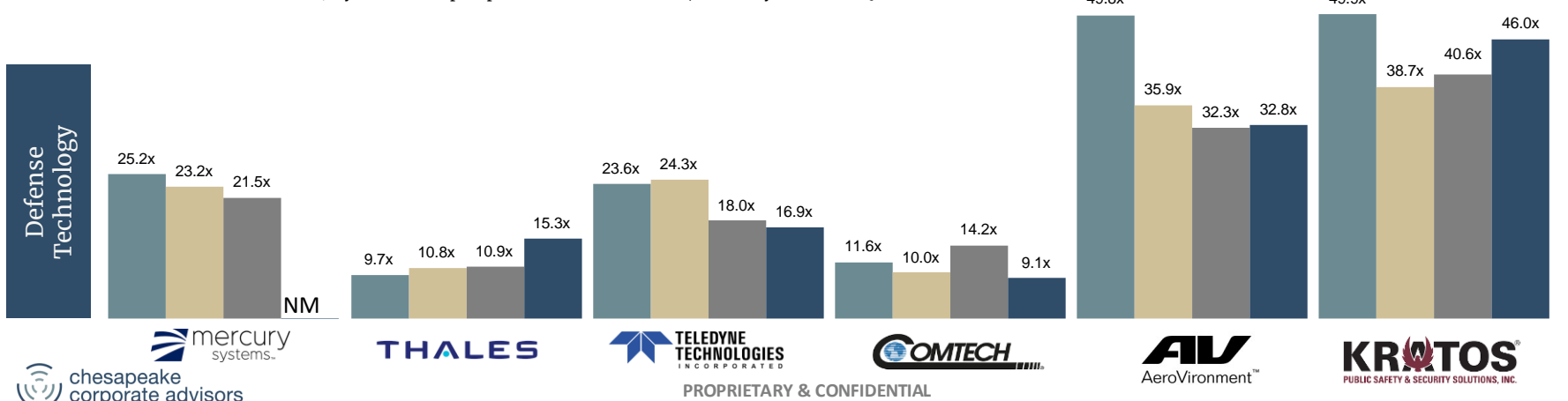
■ = Q1 2021
■ = Q1 2022
■ = Q1 2023
■ = Q1 2024



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.



PROPRIETARY & CONFIDENTIAL

Public Market Data



Multi-Platform Defense Primes

Company	Market Data				Financial Performance						Enterprise Value /			
	(\$ in millions, except share price)				LTM 2024			2024E			Revenue		EBITDA	
	Price	% of 52 Week High	Market Cap	Enterprise Value	Revenue	EBITDA	EBITDA %	Revenue	EBITDA	EBITDA %	LTM	2024E	LTM	2024E
RTX Corporation	\$97.53	93.0%	\$129,456	\$170,103	\$68,920	\$9,611	13.9%	\$78,690	\$13,193	16.8%	2.47x	2.16x	17.7x	12.9x
The Boeing Company	192.99	72.1%	117,750	155,933	77,794	3,154	4.1%	87,529	5,543	6.3%	2.00x	1.78x	49.4x	28.1x
Honeywell International Inc.	205.25	97.3%	133,860	147,886	36,662	8,730	23.8%	38,576	10,134	26.3%	4.03x	3.83x	16.9x	14.6x
Lockheed Martin Corporation	454.87	89.5%	109,394	126,588	67,571	10,225	15.1%	69,273	9,776	14.1%	1.87x	1.83x	12.4x	12.9x
General Dynamics Corporation	282.49	99.2%	77,382	86,552	42,272	4,570	10.8%	46,500	5,991	12.9%	2.05x	1.86x	18.9x	14.4x
Northrop Grumman Corporation	478.66	96.3%	71,816	84,755	39,290	3,983	10.1%	41,092	5,704	13.9%	2.16x	2.06x	21.3x	14.9x
BAE Systems plc (United Kingdom)	17.06	97.9%	51,444	54,951	29,396	3,595	12.2%	35,503	4,712	13.3%	1.87x	1.55x	15.3x	11.7x
L3Harris Technologies, Inc.	213.10	97.6%	40,508	53,962	19,419	3,478	17.9%	21,191	3,823	18.0%	2.78x	2.55x	15.5x	14.1x
Mean		92.9%					13.5%			15.2%	2.40x	2.20x	20.9x	15.5x
Median		96.8%					13.1%			14.0%	2.10x	1.96x	17.3x	14.3x

Government Services

Jacobs Solutions Inc.	\$153.73	99.5%	\$19,316	\$22,451	\$16,713	\$1,482	8.9%	\$17,444	\$1,572	9.0%	1.34x	1.29x	15.1x	14.3x
Leidos Holdings, Inc.	131.09	99.7%	17,701	22,315	15,438	1,633	10.6%	16,023	1,718	10.7%	1.45x	1.39x	13.7x	13.0x
Booz Allen Hamilton Holding Corporation	148.44	98.6%	19,259	22,283	10,324	739	7.2%	10,609	1,164	11.0%	2.16x	2.10x	30.2x	19.1x
CACI International Inc	378.83	99.0%	8,442	10,411	7,131	716	10.0%	7,399	776	10.5%	1.46x	1.41x	14.5x	13.4x
Parsons Corporation	82.95	98.5%	8,779	9,525	5,443	460	8.5%	5,946	528	8.9%	1.75x	1.60x	20.7x	18.0x
Science Applications International Corporation	130.39	89.8%	6,788	8,940	7,444	639	8.6%	7,345	688	9.4%	1.20x	1.22x	14.0x	13.0x
ICF International, Inc.	150.63	95.3%	2,819	3,455	1,963	201	10.2%	2,061	226	11.0%	1.76x	1.68x	17.2x	15.3x
V2X, Inc.	46.71	82.3%	1,463	2,557	3,963	237	6.0%	4,152	309	7.4%	0.65x	0.62x	10.8x	8.3x
Mean		95.3%					8.7%			9.7%	1.47x	1.41x	17.0x	14.3x
Median		98.5%					8.7%			9.9%	1.45x	1.40x	14.8x	13.8x

Defense Technology

Thales S.A. (France)	\$170.72	97.6%	\$35,282	\$40,248	\$20,370	\$2,638	12.9%	\$21,641	\$3,398	15.7%	1.98x	1.86x	15.3x	11.8x
Teledyne Technologies Incorporated	429.32	95.7%	20,342	23,096	5,636	1,363	24.2%	5,866	1,456	24.8%	4.10x	3.94x	16.9x	15.9x
AeroVironment, Inc.	153.28	83.0%	4,285	4,247	706	130	18.4%	709	126	17.8%	6.02x	5.99x	32.8x	33.7x
Kratos Defense & Security Solutions, Inc.	18.38	85.1%	2,742	3,020	1,037	66	6.3%	1,139	105	9.2%	2.91x	2.65x	46.0x	28.7x
Mercury Systems, Inc.	29.50	55.7%	1,751	2,291	895	9	1.0%	820	35	4.3%	2.56x	2.79x	NM	NM
Comtech Telecommunications Corp.	3.43	26.3%	98	434	571	47	8.3%	569	64	11.3%	0.76x	0.76x	9.1x	6.7x
Mean		73.9%					11.9%			13.9%	3.05x	3.00x	24.0x	19.4x
Median		84.1%					10.6%			13.5%	2.74x	2.72x	16.9x	15.9x

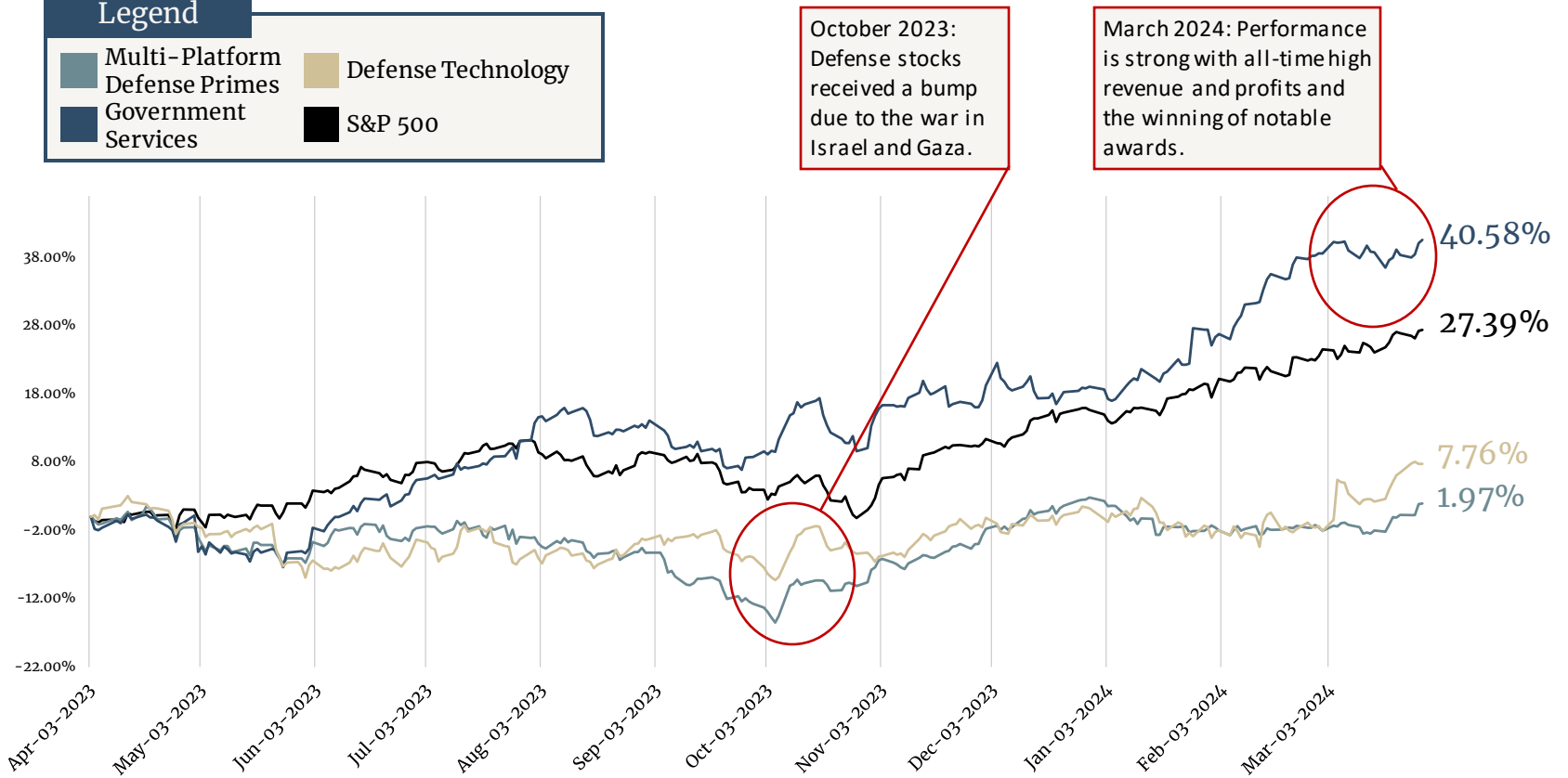
Source: S&P Capital IQ Data as of 03/28/2024

CCA Government Services & Defense Indices Stock Performance



Legend

Multi-Platform Defense Primes	Defense Technology
Government Services	S&P 500



Commentary

- Although Defense companies experienced increases in orders due to the continuing conflict in the Ukraine and the Middle East, they are weighted down by labor and supply chain disruptions.
- The S&P 500 Index continues to perform well, partially due to solid earnings reports and a robust jobs market.

Selected GovCon Precedent Transactions in Q1 2024



Date Signed	Target / Acquirer	Target Business Description
Mar-24	Asymmetric Technologies, LLC / Bluestone Investment Partners, LLC [Chesapeake Technology International Corp. (CTI)]	Asymmetric Technologies, LLC is a developer of platform-agnostic, open-architected, cybersecure UAS flight controller systems for private sector and U.S. federal government aerospace and defense markets.
Mar-24	Softtech Solutions, Inc. / Falfurrias Capital Partners [Synergy ECP, LLC]	SoftTech Solutions, Inc. is a provider of software and systems engineering, big data and cloud computing, and informational retrieval systems for private sector and U.S. federal government defense markets.
Mar-24	SDV Solutions, Inc. / Park Place Technologies, LLC	SDV Solutions is a third party provider of warranty service and client-centric data center infrastructure solutions exclusively to Federal Government agencies.
Mar-24	INFODAS / Airbus SE [Airbus Defence and Space]	INFODAS is a provider of cybersecurity and IT solutions for private sector and international government defense and critical infrastructure markets.
Mar-24	Global Systems Technologies, Inc. / Broadtree Partners, LLC [Sayres and Associates Corp.]	Global Systems Technologies, Inc. provides systems engineering, design review, development specification, modelling/simulation, configuration management, and logistics support.
Mar-24	Jardon & Howard Technologies, Inc. / Bluestone Investment Partners, LLC [Precise Systems, Inc.]	JHT, Inc. provides training, technical data management, environmental and marine sciences, and professional support solutions services.
Mar-24	Technical Advisory Services Programs of ManTech International Corp. / Arlington Capital Partners [Systems Planning and Analysis, Inc. (SPA)]	The acquisition includes ManTech's DARPA, Office of the Secretary of Defense Strategic Capabilities Office (OSD SCO), and select National Reconnaissance Office (NRO) technical advisory services programs.
Feb-24	Federal and Defense Services Business of VSE Corp. / Undisclosed	The Alexandria, Va.-based FDSG provides foreign military sales services, refurbishment services for vehicles and equipment, ship and aircraft support, aircraft sustainment and maintenance, and other technical, management, and engineering services.
Feb-24	LS Technologies, LLC / Tetra Tech, Inc.	LS Technologies, LLC provides engineering, programmatic, and technical services to Federal Government and private industry.
Feb-24	Eqlipse Technologies / Arlington Capital Partners [BlueHalo, LLC]	Eqlipse is a provider of identity intelligence, advanced research and development, and cyber engineering solutions for private sector and U.S. federal government defense, intelligence, and national security markets.
Feb-24	Juno Technologies, Inc. / Sagewind Capital, LLC [Sigma Defense Systems, LLC]	Juno Technologies is a provider of IT engineering, systems integration, software development and technical support to U.S. federal government aerospace, defense, and naval markets.
Feb-24	Seaford Consulting LLC / Godspeed Capital Management LP [Crimson Phoenix]	Seaford Consulting is a provider of full-systems lifecycle, integrated business, mission & IT solutions for private sector and U.S. federal government markets.
Feb-24	VMD Systems Integrators, Inc. / McNally Capital, LLC [Xcelerate Solutions]	VMD provides cybersecurity, digital infrastructure, agile engineering, and homeland defense based services to private sector and the U.S. federal government civilian and homeland security markets.
Jan-24	Zavda Technologies LLC / The Acacia Group [Applied Insight, LLC]	Zavda is a consulting business that provides professional helpdesk services, technical support, and customer service to defense & intelligence agencies and private corporations.
Jan-24	Thompson Software Solutions, Inc. / OceanSound Partners, L.P. [Lynx Software Technologies, Inc.]	Thompson Software Solutions, LLC operates as an IT and consulting company that provides software development, engineering, and integration solutions to mission-critical aerospace and defense (A&D) platforms.
Jan-24	Cyberspace Solutions LLC / Godspeed Capital Management LP [Crimson Phoenix]	Cyberspace Solutions, LLC offers services and solutions in support of national security.
Jan-24	Ascolta, LLC / Management Science and Innovation, LLC	Ascolta LLC provides technical services for information security and cloud management, adoption, and migration.

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



Marty O'Neill
Managing Director
moneill@ccabalt.com



Mike Zuidema
Managing Director
mzuidema@ccabalt.com



Tim Brasel
Managing Director
tbrasel@ccabalt.com



Katie Kieran
Vice President
kkieran@ccabalt.com



Andy Spears
Vice President
aspears@ccabalt.com



Frank Ihle
Senior Analyst
fihle@ccabalt.com



Aidan Olmstead
Senior Analyst
aolmstead@ccabalt.com



**chesapeake
corporate advisors**

410-537-5988

www.ccabalt.com

1001 Fleet Street

Suite 420

Baltimore, MD 21202