

Q3 2024 | INDUSTRY UPDATE

Defense & Government



Prepared by:
Chesapeake Corporate Advisors
October 2024

IN THIS ISSUE

Firm Overview	2
Intel and Cyber News	3
M&A Activity	4
Market Multiples	7
Precedent Transactions	11



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 an average of 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

30

Transactions Closed
Since 2020

84

2023 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 the various needs of this community.

Warning of Russian Cyber Threats

- NSA joined the FBI, CISA, and international allies in publishing the Cybersecurity Advisory (CSA) “Russian Military Cyber Actors Target U.S. and Global Critical Infrastructure” to detail malicious activity used for the purposes of espionage, sabotage, and reputational harm since at least 2020. According to the CSA, the GRU Component is responsible for deploying the destructive WhisperGate malware against Ukrainian victim organizations.

Institute of National Security

- Vanderbilt University announced the launch of its Institute of National Security, led by Paul M. Nakasone, former director of the National Security Agency, former commander of U.S. Cyber Command and retired four-star general. The Institute was created to help the government and military combat evolving threats and develop the next generation of national security leaders.

Pentagon kills Cyber Service Proposal

- The Pentagon has formally requested that lawmakers shut down a legislative proposal that would mandate an independent assessment of the establishment of a separate cyber service. The idea of a separate cyber service has long been a controversial topic in the department.

Continuing Resolution Signed

- The CR extends fiscal year 2025 funding for all 12 annual spending bills, including the Labor, Health and Human Services, and Education bill, through Dec. 20th. The House has passed five of 12 spending bills on party-line votes, while the Senate has advanced 11 of 12 spending bills out of committee with bipartisan support. The CR will allow the federal government to continue operating while Congress completes its work on the annual spending bills.

Total Compensation Plan


- Regional Federal Contractors are scrambling to comply with a Total Compensation Plan required on future bids. This particular FAR clause directs Contractors to submit a “Total Compensation Plan” (TCP) when responding to “solicitations for negotiated contracts when the contract amount is expected to exceed \$750,000 and services are to be provided which will require meaningful numbers of professional employees.”

No Such Podcast


- No Such Podcast pulls back the curtain on the National Security Agency. NSA’s very existence used to be classified, leading to its nickname, “No Such Agency.” Now, they’ve got stories to tell, and they just might surprise you! Hear from everyone at NSA, from senior leaders down to new hires, talk about what it’s really like to work at one of the most secretive agencies in the government.



Acquired



Buy-Side Advisor



SSATI Acquires DATASYNC

Sensible Solutions and Technologies, Inc. (SSATI), a custom software development and system integration leader in the U.S. national security community, announced the successful acquisition of Data Sync Technologies, Inc. (DataSync), a leader in knowledge management and data analysis. This strategic acquisition expands SSATI's footprint within the intelligence community to new government agency customers and provides DataSync employees greater opportunity for career advancement.



Recapitalized by

Private Investor Group

Sell-Side Advisor



VETEGRITY Recapitalized by Private Investor Group

Vetegrity, LLC, a Maryland-based provider of professional services to the Department of Defense (DoD) and Intelligence Community (IC), announced a management restructuring and recapitalization of the company. This strategic move marks a new chapter in the company's growth and innovation. The recapitalization and new management structure underscore Vetegrity's commitment to innovation and growth, as well as its dedication to providing exceptional value to its government clients, partners and employees.

Recent Government Technology Services Transaction Highlights



Announced Sector
 October 1, 2024 Intel & Cyber

Description

CACI International Inc (NYSE: CACI) announced that it has acquired Applied Insight, a Northern Virginia-based portfolio company of Acacia Group, in an all-cash transaction. In alignment with CACI’s mission to deliver distinctive expertise and differentiated technology to meet its customers’ greatest national security challenges, Applied Insight delivers proven cloud migration, adoption, and transformation capabilities, coupled with intimate customer relationships across the Department of Defense (DoD) and Intelligence Communities (IC).



Announced Sector
 September 27, 2024 Intel & Cyber

Description

Amentum (the “Company”), announced the completion of its merger with Jacobs Solutions Inc.’s (“Jacobs”) Critical Mission Solutions and Cyber and Intelligence businesses. The combination creates a global leader in advanced engineering and innovative technology solutions, well positioned to address its customers’ most significant and complex challenges. Amentum began regular-way trading on the New York Stock Exchange (“NYSE”) on Monday, September 30, under the ticker symbol “AMTM.” The executive team of the Company also rang the Opening Bell at NYSE the following day, Tuesday, October 1.



Announced Sector
 September 27, 2024 Intel & Cyber

Description

Private investment firm CM Equity Partners has completed its acquisition of Sabre Systems from its majority owner and founder for an undisclosed sum. Established in 1989, Sabre provides technology platforms in software and systems engineering, digital transformation, cybersecurity, enterprise data management and advanced communications systems to support the national security missions of the Department of Defense, military services and federal civilian agencies. James Norris, the newly appointed president of Sabre Systems, will continue to oversee the technology company, while Bill Vantine, a veteran government executive, will serve as chair of Sabre’s new board of directors.



Announced Sector
 September 9, 2024 Intel & Cyber

Description

GDIT, announced that it has acquired Iron EagleX, Inc. (IEX), a leading provider of artificial intelligence/machine learning, cyber, software development and cloud services for the Special Operations Forces and the intelligence community. The acquisition expands GDIT’s portfolio of differentiated technology capabilities and further strengthens its ability to support defense and intelligence missions across all warfighting domains. As part of this acquisition, hundreds of highly technical and cleared employees from 18 locations will join GDIT’s workforce of 28,000.

Recent Government Technology Services Transaction Highlights



Target **Acquiror**



Announced Sector
August 8, 2024 Intel & Cyber

Description

Enlightenment Capital, an Aerospace, Defense, Government & Technology (ADG&T) investment firm based in the Washington, DC area, announced it has made a strategic investment in Cryptic Vector, a provider of full spectrum offensive cyber, electronic warfare, and secure radio frequency communications solutions for the IC and DoD. "Cryptic Vector's technology is shaping the future of information dominance and converged military operations by unifying cyber and electronic warfare operations," said Devin Talbott, Founder and Managing Partner of Enlightenment Capital.

Target **Acquiror**



Announced Sector
August 6, 2024 Intel & Cyber

Description

SIXGEN, a full-spectrum provider of cyber products, operations, and solutions to the U.S. national security and critical infrastructure sectors, announced its acquisition of Boldend, Inc. ("Boldend"). Boldend develops leading-edge cyber and electronic warfare solutions, empowering the U.S. Government's operations in an evolving threat landscape. Boldend marks SIXGEN's second acquisition since Washington Harbour Partners' ("WHP") investment in the company in November 2023. Boldend's suite of software and cyber automation tools will further accelerate SIXGEN's achievement of its strategic vision to empower the digital warfighter.

Target **Acquiror**



Announced Sector
July 30, 2024 Intel & Cyber

Description

Parsons Corporation (NYSE:PSN) announced that it has entered into a definitive agreement to acquire BlackSignal Technologies, LLC, a Razor's Edge portfolio company, in an accretive deal valued at \$200 million. BlackSignal is a next-generation digital signal processing, electronic warfare, and cybersecurity provider built to counter near-peer threats. This acquisition will expand Parsons' customer base across the DoD and IC and significantly strengthen Parsons' positioning with full-spectrum cyber and electronic warfare. The transaction is consistent with Parsons' strategy of acquiring high-growth companies with greater than 10% revenue growth and adjusted EBITDA margins.

Target **Acquiror**



Announced Sector
July 2, 2024 Intel & Cyber

Description

SIXGEN, a full-spectrum solutions provider of cybersecurity products, announced its acquisition of Secure Enterprise Engineering, Inc. ("Secure-EE"). Secure-EE is a leading provider of bespoke cybersecurity products and services across various domains, and marks SIXGEN's first acquisition following Washington Harbour Partners' ("WHP") investment in the company in November 2023. This acquisition brings unique capabilities, software products, tier I engineers and longstanding customer relationships, accelerating SIXGEN's strategic vision to empower the digital warfighter.



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.

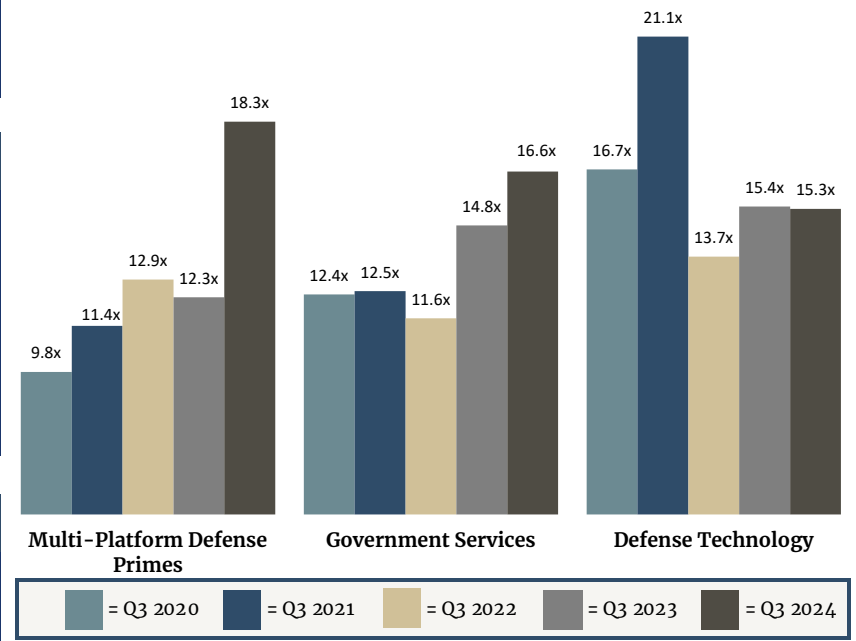


Defense Technology

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.

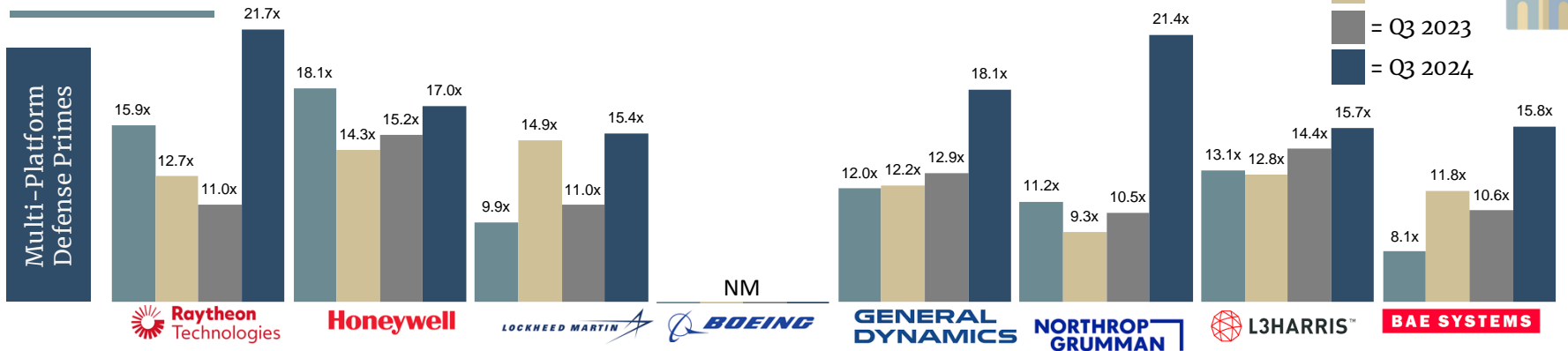
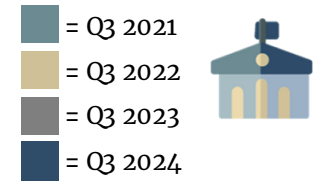


Historical TEV/TTM EBITDA Multiples

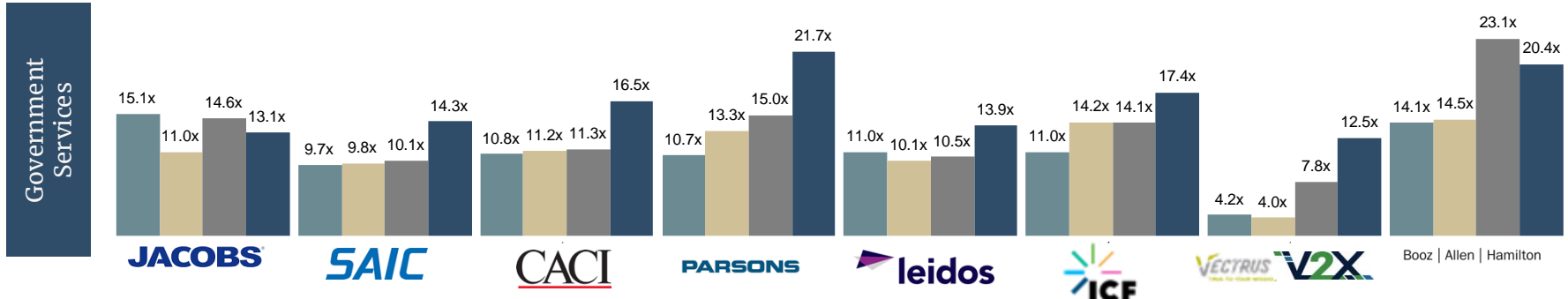


Note: Multiples are based on a weighted average by market capitalization

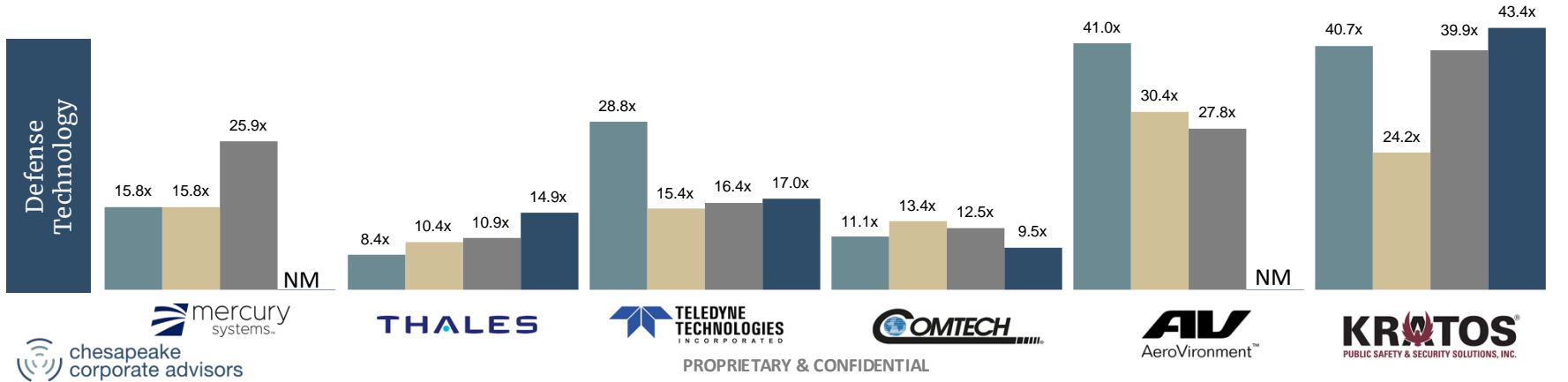
Historical TEV/TTM EBITDA Public Market Trends



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

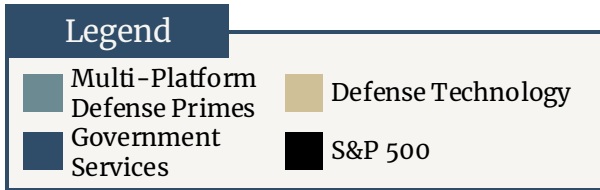
Public Market Data



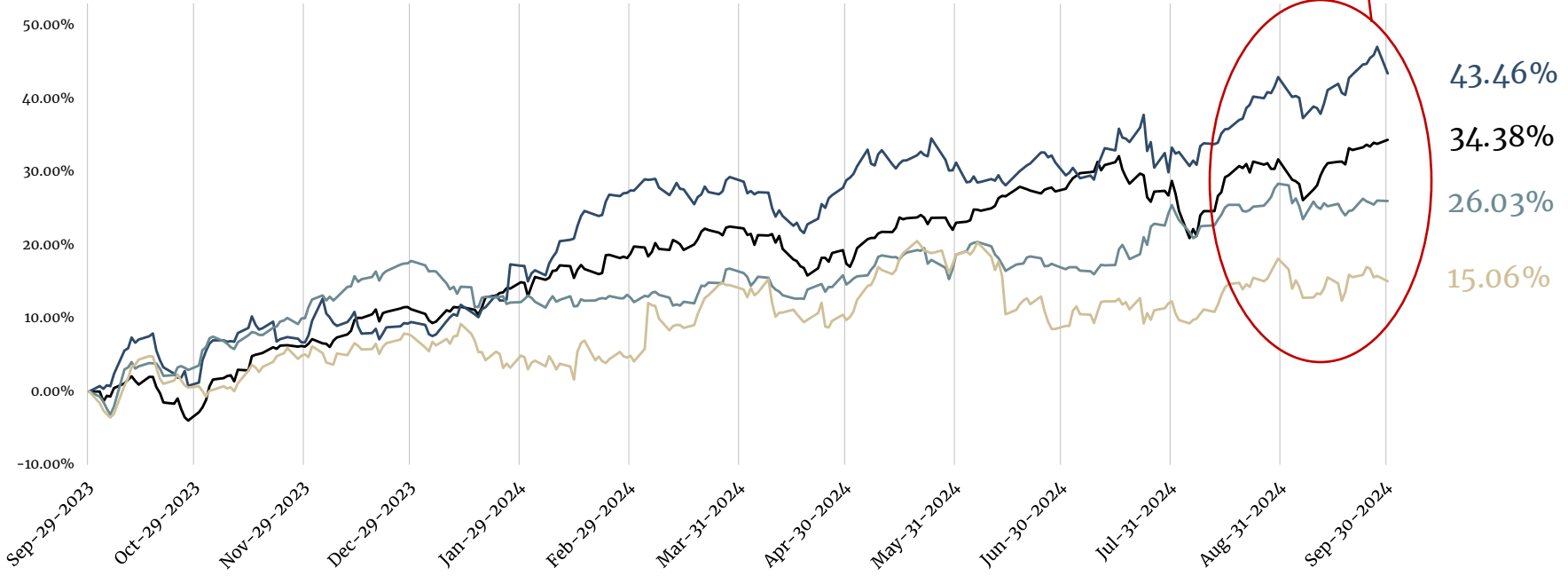
	Market Data				Financial Performance						Enterprise Value /				
	(\$ in millions, except share price)				LTM 2024			2024E			Revenue		EBITDA		
	Company	Price	% of 52 Week High	Market Cap	Enterprise Value	Revenue	EBITDA	EBITDA %	Revenue	EBITDA	EBITDA %	LTM	2024E	LTM	2024E
Multi-Platform Defense Primes	RTX Corporation	\$121.16	97.9%	\$160,910	\$200,161	\$72,417	\$9,217	12.7%	\$79,447	\$12,694	16.0%	2.76x	2.52x	21.7x	15.8x
	Lockheed Martin Corporation	584.56	99.9%	139,335	156,069	71,069	10,167	14.3%	71,256	9,802	13.8%	2.20x	2.19x	15.4x	15.9x
	Honeywell International Inc.	206.71	93.6%	134,294	154,087	37,334	9,048	24.2%	39,129	10,439	26.7%	4.13x	3.94x	17.0x	14.8x
	The Boeing Company	152.04	56.8%	93,682	139,003	73,557	1,322	1.8%	74,603	1,847	2.5%	1.89x	1.86x	NM	NM
	General Dynamics Corporation	302.20	97.5%	82,904	92,661	44,946	5,131	11.4%	48,162	5,999	12.5%	2.06x	1.92x	18.1x	15.4x
	Northrop Grumman Corporation	528.07	98.8%	77,228	92,122	40,764	4,304	10.6%	41,322	5,711	13.8%	2.26x	2.23x	21.4x	16.1x
	BAE Systems plc (United Kingdom)	16.59	87.4%	49,699	60,046	31,036	3,805	12.3%	37,836	5,107	13.5%	1.93x	1.59x	15.8x	11.8x
	L3Harris Technologies, Inc.	237.87	96.9%	45,125	57,894	20,765	3,686	17.8%	21,246	3,962	18.6%	2.79x	2.72x	15.7x	14.6x
	Mean		91.1%					13.1%				14.7%	2.50x	2.37x	17.9x
Median		97.2%					12.5%				13.8%	2.23x	2.21x	17.0x	15.4x
Government Services	Leidos Holdings, Inc.	\$163.00	99.8%	\$21,958	\$26,352	\$16,008	\$1,901	11.9%	\$16,291	\$1,933	11.9%	1.65x	1.62x	13.9x	13.6x
	Booz Allen Hamilton Holding Corporation	162.76	99.0%	21,027	24,354	10,949	1,193	10.9%	10,606	1,164	11.0%	2.22x	2.30x	20.4x	20.9x
	Jacobs Solutions Inc.	130.90	83.7%	16,264	19,386	16,949	1,476	8.7%	11,545	1,405	12.2%	1.14x	1.68x	13.1x	13.8x
	CACI International Inc	504.56	100.0%	11,254	13,039	7,660	792	10.3%	7,554	783	10.4%	1.70x	1.73x	16.5x	16.6x
	Parsons Corporation	103.68	99.3%	11,009	11,989	6,119	552	9.0%	6,530	590	9.0%	1.96x	1.84x	21.7x	20.3x
	Science Applications International Corporation	139.27	95.9%	6,897	9,174	7,297	643	8.8%	7,345	688	9.4%	1.26x	1.25x	14.3x	13.3x
	ICF International, Inc.	166.79	97.8%	3,128	3,757	1,986	216	10.9%	2,062	228	11.1%	1.89x	1.82x	17.4x	16.5x
	V2X, Inc.	55.86	95.9%	1,742	2,890	4,125	231	5.6%	4,238	310	7.3%	0.70x	0.68x	12.5x	9.3x
	Mean		96.4%					9.5%				10.3%	1.57x	1.61x	16.2x
Median		98.4%					9.7%				10.7%	1.67x	1.70x	15.4x	15.1x
Defense Technology	Thales S.A. (France)	\$158.99	81.7%	\$32,653	\$37,686	\$20,578	\$2,534	12.3%	\$22,431	\$3,411	15.2%	1.83x	1.68x	14.9x	11.0x
	Teledyne Technologies Incorporated	437.66	97.7%	20,476	22,835	5,552	1,342	24.2%	5,614	1,358	24.2%	4.11x	4.07x	17.0x	16.8x
	AeroVironment, Inc.	200.50	89.5%	5,615	5,581	754	108	14.3%	709	126	17.7%	7.40x	7.88x	NM	44.4x
	Kratos Defense & Security Solutions, Inc.	23.30	96.8%	3,518	3,514	1,126	81	7.2%	1,145	107	9.3%	3.12x	3.07x	43.4x	32.8x
	Mercury Systems, Inc.	37.00	86.6%	2,202	2,689	835	(32)	NM	819	(4)	NM	3.22x	3.28x	NM	NM
	Comtech Telecommunications Corp.	4.81	36.9%	137	481	563	51	9.0%	543	57	10.6%	0.85x	0.89x	9.5x	8.4x
	Mean		81.5%					13.4%				15.4%	3.42x	3.48x	21.2x
Median		88.1%					12.3%				15.2%	3.17x	3.18x	15.9x	16.8x

Source: S&P Capital IQ Data as of 09/30/2024

CCA Government Services & Defense Indices Stock Performance



Q3 2024: Amid rising tensions in the Middle East, defense stocks are experiencing outperformance.



Commentary

- The government services and defense sectors are likely to see continued growth due to geopolitical tensions worldwide, technology innovation, and commercial air activity.
- In September 2024, the S&P 500 recorded its best performance in 11 years. Notably, companies reported strong earnings, and the Federal Reserve cut interest rates for the first time since 2020.

Selected GovCon Precedent Transactions in Q3 2024



Date Signed	Target / Acquirer	Target Business Description
Jul-24	Washington Harbour Partners, LP Portfolio Company SIXGEN, Inc. Acquires Secure Enterprise Engineering, Inc.	Secure-EE is a provider of disruptive cybersecurity system engineering, architecture, and operational capabilities for private sector and U.S. federal government defense markets.
Jul-24	Sterling Investment Partners, L.P. Portfolio Company Markon, LLC Acquires Advanced Systems Engineering Corp. (ASEC)	Advanced Systems Engineering Corp. (ASEC) provides systems engineering, technical and programming support services to U.S. federal government customers. The company's core capabilities include enterprise services, support services, and security solutions.
Jul-24	Blackstone Inc., CVC Capital Partners, and Veritas Capital Competing to Acquire The Carlyle Group Portfolio Company StandardAero	StandardAero is a provider of engine and airframe maintenance, repair and overhaul, engine component repair, engineering services, interior completions and paint applications for private sector and U.S. federal government aerospace and defense markets.
Sep-24	Brightstar Capital Partners Portfolio Company Astrion Completes Acquisition of Sagewind Capital, LLC Portfolio Company Axient, LLC	Axient, LLC is a provider of highly technical engineering and management support services, advancing defense and civilian missions from aerospace to cyberspace with multi-domain test and analysis, mission engineering and operations, digital engineering, and advanced technologies.
Sep-24	CGI Federal, Inc. Completes Acquisition of Enlightenment Capital Portfolio Company Aeyon, LLC	CGI Federal, Inc., a subsidiary of CGI Group, Inc. CGI Group Inc. (TSX: GIBA; NYSE: GIB), completed its acquisition of Aeyon, LLC, a portfolio company of Enlightenment Capital. Vienna, Va.-based Aeyon [website] is a developer of transformation strategies, advanced processes, and
Aug-24	Parsons Corp. Completes Acquisition of Razor's Edge Management, LLC Portfolio Company BlackSignal Technologies, LLC	BlackSignal Technologies is a platform company which provides advanced signal processing and cyber capabilities to counter near peer adversaries of the United States. The company's space, cyber, electronic warfare, and digital signal processing capabilities include full-
Jul-24	O2 Investment Partners, LLC Portfolio Company FCAH Aerospace Acquires Innodyne Systems, Inc.	Innodyne Systems, Inc. is an FAA/EASA Part 145 repair station specializing in MRO, DER, and OPP component services for airframe, composite, and electronic components. The company's expertise began with support for composite and other structural work for Bombardier and has since expanded to include Embraer, Gulfstream, and FalconJet, among other business aircraft.
Aug-24	Washington Harbour Partners, LP Portfolio Company SIXGEN, Inc. Acquires Boldend, Inc.	Boldend, Inc. is a developer of cyber and electronic warfare solutions for private sector and U.S. federal government defense markets. The company's solutions empower organizations to effectively manage lower-tier, medium to low-risk operations and enable strategic competition while minimizing operational risks.
Aug-24	Enlightenment Capital Acquires Cryptic Vector, LLC	Cryptic Vector is a provider of full spectrum offensive cyber, electronic warfare, and secure radio frequency communications solutions for private sector and U.S. federal government defense and intelligence markets. The company specializes in the design and development of extremely low size, weight, and power (SWaP) RF Products.
Aug-24	Bluestone Investment Partners, LLC Acquires Qualis Corp.	Qualis Corp. is a provider of advanced modeling, simulation, and testing services for private sector and U.S. federal government aerospace and defense markets. The company's solutions support the development of next-generation missile defense and resilient satellite
Sep-24	Blue Delta Capital Partners Acquires Minority Stake in ITC Federal, LLC	ITC Federal, LLC is an information technology engineering services provider serving private sector and U.S. defense and homeland security markets.
Sep-24	General Dynamics Information Technology (GDIT) Acquires Iron EagleX, Inc.	Iron EagleX, Inc is a provider of artificial intelligence/machine learning, cyber, software development and cloud services for the Special Operations Forces and the intelligence community.
Sep-24	Madison Dearborn Partners, LLC Acquires Harmonia Holdings Group, LLC	Harmonia Holdings Group, LLC. is a developer of information technology solutions for private sector and U.S. federal government civil and defense markets. The company provides solutions for AI/ML, cybersecurity, cloud optimization, and data science and analytics.
Sep-24	Renovus Capital Partners Acquires QualX Corp.	QualX Corp. is a provider of records and information management, digital transformation, and business process improvement services to private sector and U.S. federal government civil, defense, and homeland security markets.
Sep-24	DC Capital Partners, LLC Acquires C5Mi Insight LLC	C5Mi Insight is a developer of digital transformation and modernization solutions for solving complex supply chain and logistics challenges for private sector, state, and U.S. federal government defense markets. C5Mi is appraised at CMMI ML2

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.



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