

Q1 2025 | INDUSTRY UPDATE

Defense & Government



Prepared by:
Chesapeake Corporate Advisors
April 2025

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Chesapeake Corporate Advisors Firm Overview



Firm Overview

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.

Service Offering

Investment Banking

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

Corporate Advisory

- Strategic Assessments
- Financial Planning & Analysis
- Value Sharing Plans
- Transaction Advisory
- Value Creation Strategy
- Business Valuations

\$4Bn+

Aggregate Tx value

35+

Closed Tx since
Jan. 2021

100+

2024 Valuations

12+

Advisory Clients Exited
since Jan. 2021



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, engineering, finance, and legal, which serve the various needs of this community.

Annual Threat Assessment Published

- This 2025 ATA report supports the Office of the Director of National Intelligence’s commitment to keeping the U.S. Congress and American people informed of threats to the nation’s security. In preparing this assessment, the National Intelligence Council worked closely with all IC components, the wider U.S. Government, and foreign and external partners to provide the most timely, objective, and useful insights for strategic warning and U.S. decision advantage.

DOGE Impacts Federal Agencies

- The Department of Government Efficiency continues its effort to reduce spending through a variety of methods. Final cuts are still unknown, but published plans to cut 80,000 jobs at the Dept of Veterans Affairs and the proposed removal of 60,000 Defense Department civilians will be a transformative shift in federal operations.
- Intelligence agencies are grappling with how to reduce their numbers of employees without damaging their missions.

New OSINT subcommittee

- House lawmakers are increasing their focus on the intelligence community’s approach to open-source intelligence through a new OSINT subcommittee. The House Permanent Select Committee on Intelligence announced the new OSINT subcommittee in early February.
- Last year, the Office of the Director of National Intelligence released an intelligence community-wide OSINT strategy.

Cybercom 2.0 Briefed

- Cybercom 2.0 is an ambitious plan first unveiled by former commander Gen. Paul Nakasone and other top DOD officials. It was meant to provide a holistic examination of the command and its forces to better posture it for the future.
- In February, Ashley Manning, acting assistant secretary of defense for cyber policy, briefed members of the House Armed Services Cyber, IT and Innovation subcommittee.

Lt. Gen. Hartman new DIRNSA

- Lt. Gen. William Hartman has been named acting director of the NSA and acting commander of U.S. Cyber Command following the Trump administration’s removal of Gen. Timothy Haugh from leadership of both organizations.
- “LTG Hartman brings extensive experience and a strong commitment to mission execution in support of strengthening our national security,” a spokesperson for CYBERCOM said.

Sweeping Tariffs on U.S. Imports

- The Trump administration announced a 10% tariff on all imports to the U.S., along with additional tariffs on other major trading partners to include China, Japan, Vietnam and multiple European countries.
- The recent announcements of tariffs may initially lead to a slowdown in M&A activity in the middle market due to increased financial performance uncertainty and valuation challenges.

Recent Government Technology Services Transaction Highlights



Target

Acquiror



Announced

Sector

February 19, 2025

Intel & Cyber

Description

Ridgeline International, a leader in data privacy and secure infrastructure solutions, announced its acquisition of System High Corporation, a leading provider of proactive protection and digital signature management solutions. This strategic combination creates a scaled provider of high-end security solutions to protect our nation's most critical operations, weapons platforms, and intelligence missions. The combined company will deliver broad-spectrum, multi-domain capabilities to address mission-critical challenges in information security, managed attribution, data privacy, identity management, data loss prevention, and physical and personnel protection.

Target

Acquiror



Announced

Sector

March 3, 2025

Intel & Cyber

Description

General Atomics (GA) announced the strategic acquisition of North Point Defense, Inc. (NPD), a leading provider of Signals Intelligence (SIGINT) exploitation software and sensor integration. This acquisition enhances GA's capabilities in the rapidly evolving SIGINT field, positioning the company to deliver advanced ISR solutions for air, sea, ground, and space platforms. From concept to deployment, NPD delivers AI/ML-based autonomous signal processing and data dissemination solutions providing real-time actionable intelligence, supporting tactical and national mission priorities.

Target

Acquiror



Announced

Sector

March 18, 2025

Intel & Cyber

Description

Redhorse Corporation announced the strategic acquisition of The Mannakee Group, enhancing its position as a premier provider of innovative solutions for the federal defense and national security communities. The Mannakee Group delivers advanced software development and DevSecOps practices that enable critical Department of Defense missions. Combining Mannakee's modern software development expertise and Redhorse's AI/ML and data exploitation capabilities will strengthen Redhorse's ability to deliver innovative national security solutions.

Target

Acquiror



NIGHTWING

Announced

Sector

March 27, 2025

Intel & Cyber

Description

Nightwing, the intelligence solutions company defining the edge of possible for national security, announced that it acquired Roka Security who possesses deep expertise in infrastructure as code, data center operations, secure data transport solutions, and niche technical training. "Roka Security's capabilities and reputation for excellence in providing niche cyber solutions align perfectly with Nightwing's mission to deliver cutting edge capability on our customers most important missions," said Bob Coleman, CEO of Nightwing.



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 category 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.

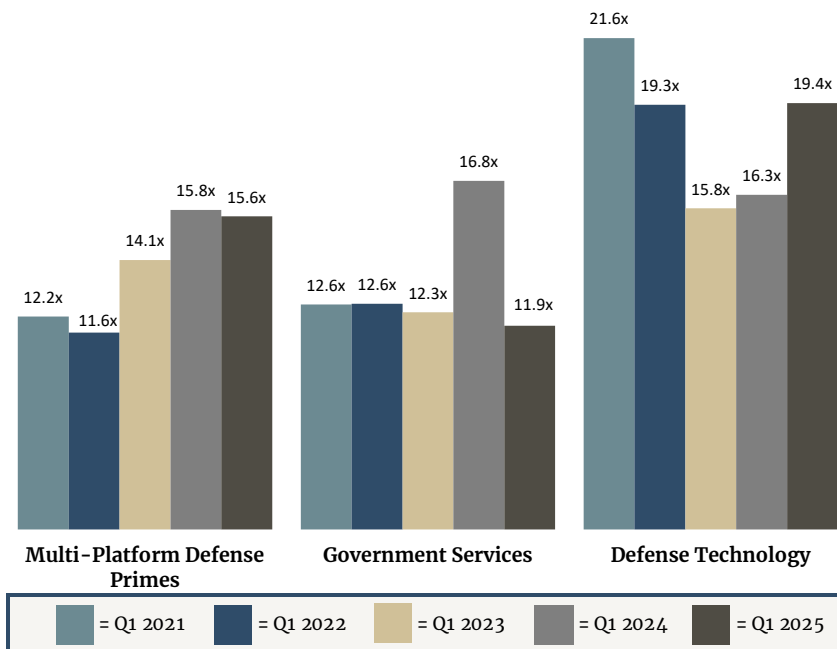


Defense Technology

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.

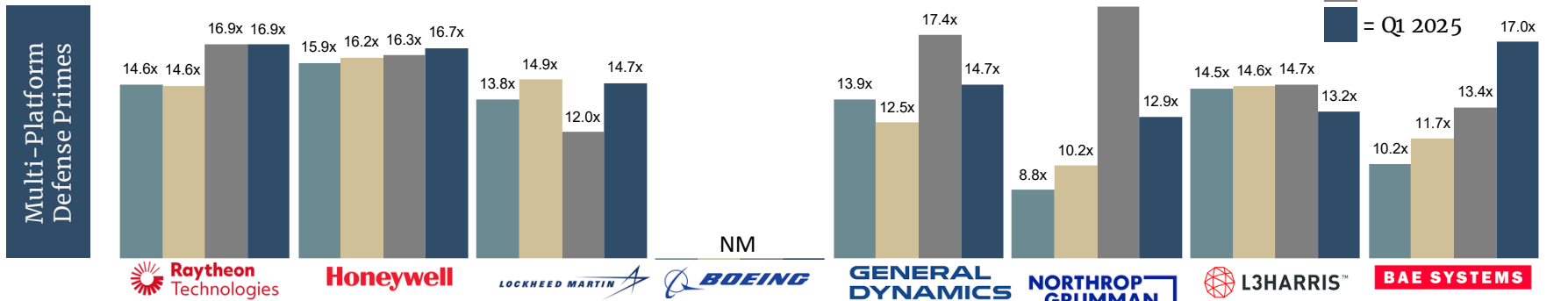
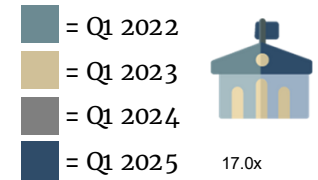


Historical TEV/TTM EBITDA Multiples

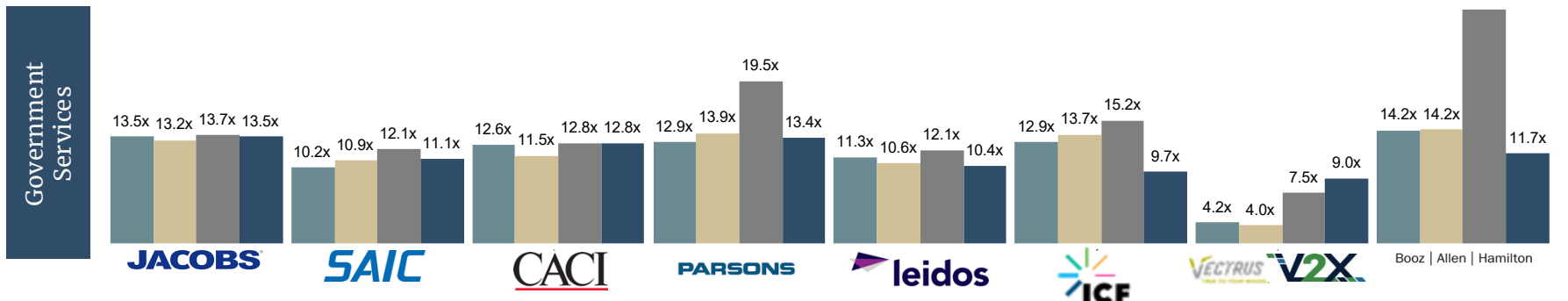


Note: Multiples are based on a weighted average by market capitalization

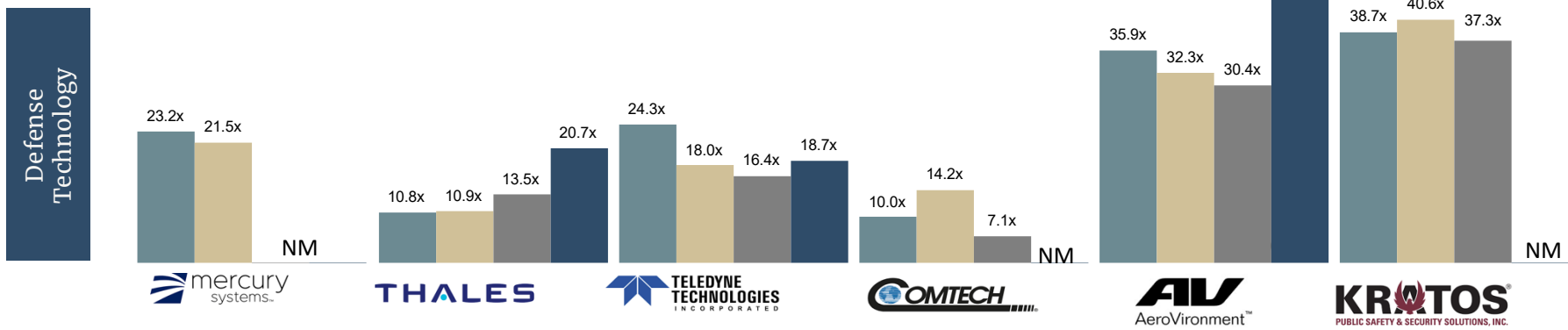
Historical TEV/ TTM EBITDA Public Market Trends



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.



Public Market Data



Company	Market Data				Financial Performance						Enterprise Value /			
	(\$ in millions, except share price)				TTM 2025			2025E			Revenue		EBITDA	
	Price	% of 52 Week High	Market Cap	Enterprise Value	Revenue	EBITDA	EBITDA %	Revenue	EBITDA	EBITDA %	TTM	2025E	TTM	2025E
RTX Corporation	\$132.46	97.3%	\$176,846	\$216,330	\$80,738	\$12,829	15.9%	\$84,272	\$14,354	17.0%	2.68x	2.57x	16.9x	15.1x
Honeywell International Inc.	211.75	87.2%	137,377	159,191	38,498	9,536	24.8%	40,423	10,449	25.8%	4.14x	3.94x	16.7x	15.2x
The Boeing Company	170.55	86.6%	128,323	158,020	66,517	(8,183)	NM	85,099	3,874	4.6%	2.38x	1.86x	NM	40.8x
Lockheed Martin Corporation	446.71	72.2%	104,786	123,721	71,043	8,394	11.8%	74,377	10,537	14.2%	1.74x	1.66x	14.7x	11.7x
Northrop Grumman Corporation	512.01	92.2%	74,116	88,159	41,033	6,839	16.7%	42,339	6,205	14.7%	2.15x	2.08x	12.9x	14.2x
General Dynamics Corporation	272.58	86.0%	73,045	82,024	47,716	5,593	11.7%	50,290	6,107	12.1%	1.72x	1.63x	14.7x	13.4x
BAE Systems plc (United Kingdom)	20.15	90.3%	60,386	69,212	32,941	4,070	12.4%	39,442	5,538	14.0%	2.10x	1.75x	17.0x	12.5x
L3Harris Technologies, Inc.	209.31	78.8%	39,291	51,721	21,325	3,927	18.4%	22,085	4,047	18.3%	2.43x	2.34x	13.2x	12.8x
Mean		86.3%					15.9%			15.1%	2.42x	2.23x	15.1x	17.0x
Median		86.9%					15.9%			14.4%	2.26x	1.97x	14.7x	13.8x
Leidos Holdings, Inc.	\$134.94	66.5%	\$17,301	\$21,820	\$16,662	\$2,105	12.6%	\$17,156	\$2,204	12.8%	1.31x	1.27x	10.4x	9.9x
Jacobs Solutions Inc.	120.89	77.3%	14,814	16,767	11,624	1,243	10.7%	12,225	1,217	10.0%	1.44x	1.37x	13.5x	13.8x
Booz Allen Hamilton Holding Corporation	104.58	54.9%	13,245	16,386	11,777	1,403	11.9%	12,039	1,329	11.0%	1.39x	1.36x	11.7x	12.3x
CACI International Inc	366.92	62.4%	8,226	11,488	8,132	895	11.0%	8,607	963	11.2%	1.41x	1.33x	12.8x	11.9x
Science Applications International Corporation	112.27	71.8%	5,359	7,716	7,479	696	9.3%	7,452	693	9.3%	1.03x	1.04x	11.1x	11.1x
Parsons Corporation	59.21	51.6%	6,322	7,412	6,751	554	8.2%	7,208	678	9.4%	1.10x	1.03x	13.4x	10.9x
V2X, Inc.	49.05	70.3%	1,549	2,437	4,322	271	6.3%	4,473	318	7.1%	0.56x	0.54x	9.0x	7.7x
ICF International, Inc.	84.97	47.3%	1,567	2,163	2,020	223	11.0%	1,928	214	11.1%	1.07x	1.12x	9.7x	10.1x
Mean		62.8%					10.1%			10.2%	1.17x	1.13x	11.4x	11.0x
Median		64.4%					10.9%			10.5%	1.20x	1.20x	11.4x	11.0x
Thales S.A. (France)	\$265.46	92.9%	\$54,502	\$57,709	\$21,303	\$2,786	13.1%	\$23,720	\$3,867	16.3%	2.71x	2.43x	20.7x	14.9x
Teledyne Technologies Incorporated	497.71	95.3%	23,312	25,457	5,670	1,362	24.0%	6,031	1,490	24.7%	4.49x	4.22x	18.7x	17.1x
Kratos Defense & Security Solutions, Inc.	29.69	83.3%	4,538	4,501	1,136	73	6.4%	1,282	118	9.2%	3.96x	3.51x	NM	38.2x
AeroVironment, Inc.	119.19	50.4%	3,339	3,352	743	73	9.8%	788	140	17.8%	4.51x	4.25x	46.1x	23.9x
Mercury Systems, Inc.	43.09	82.5%	2,572	2,982	884	26	2.9%	880	104	11.9%	3.37x	3.39x	NM	28.5x
Comtech Telecommunications Corp.	1.60	31.0%	47	394	497	(9)	NM	494	15	3.1%	0.79x	0.80x	NM	25.6x
Mean		72.5%					11.2%			13.8%	3.31x	3.10x	28.5x	24.7x
Median		82.9%					9.8%			14.1%	3.67x	3.45x	20.7x	24.8x

Source: S&P Capital IQ Data as of 03/31/2025

CCA Government Services & Defense Indices Stock Performance

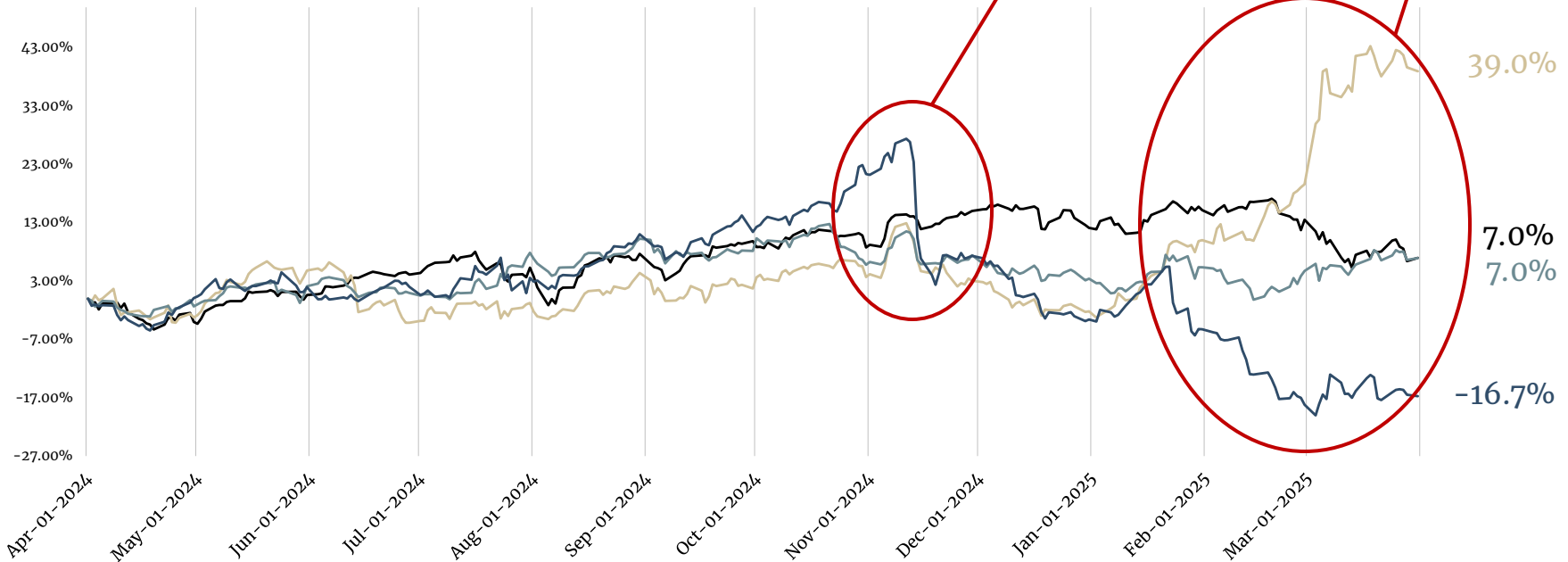


Legend



Nov. 2024: Government services and defense stocks dropped considerably following the election results.

March 2025: Trump Administration policies are creating uncertainties in the market, causing large fluctuations.



Commentary

- Markets are experiencing turmoil given the Trump Administration's economic policies, notably changes to tariffs with Mexico, Canada, and China, among others.
- The S&P 500 dropped 5.8% from February 2025 to March 2025, resulting in a YTD return of -4.6%, due to volatility from fears relating to tariffs.

Selected GovCon Precedent Transactions in Q1 2025



Date Signed	Target / Acquirer	Target Business Description
Feb-25	Loki Solutions, LLC / Alvarez & Marsal Capital [VTG]	Loki Solutions, LLC is an IT consulting firm providing technology-focused solutions to private sector and U.S. federal government markets.
Feb-25	Vital Edge Solutions Inc. / Dynamic Integrated Services, LLC	Vital Edge Solutions Inc. is a provider of IT and professional services for private sector and U.S. federal government markets.
Feb-25	cBEYONData, Inc. / OceanSound Partners, L.P. [SMX]	cBEYONData, Inc. is a provider of implementation, design, and managed service capabilities, as well as a proprietary portfolio of budget management and financial analytics solutions that provide real-time data visibility and transparency to private sector and U.S. federal government civil, defense, healthcare, justice, and law enforcement markets.
Mar-25	Roka Security, LLC / Nightwing Sub, LLC	Roka is a boutique security firm specializing in full-scale network protection services for private sector and U.S. federal government defense markets. The company leverages infrastructure as code, data center operations, secure data transport solutions, and niche technical training expertise to safeguard organizations from cyber threats.
Mar-25	Shearer & Associates, Inc. / RMC Global	Shearer & Associates, Inc. is an architectural/engineering firm specializing in facility and security systems engineering solutions for private sector and U.S. federal government critical infrastructure and defense markets. The company's solutions include technical and programmatic services for electronic and physical security systems, energy management and control systems, construction management, and program and project management.
Mar-25	Intrepid LLC / Arlington Capital Partners [Systems Planning and Analysis, Inc.]	Intrepid, LLC is a provider of systems engineering and technical assistance (SETA) services for private sector and U.S. federal government aerospace, defense, enterprise, missile defense, and mission support markets.
Mar-25	Mannakee Group, LLC / Redhorse Corp.	Mannakee Group LLC is a developer of DevSecOps and advanced software tools for private sector and U.S. federal government defense and national security markets.
Mar-25	Blue Marble Communications, Inc. / Madison Dearborn Partners, LLC [T2S, LLC]	Blue Marble Communications, Inc is a provider of space-qualified communications and computing technologies for private sector and U.S. federal government aerospace markets.
Mar-25	System High Corp. / Enlightenment Capital [Ridgeline International, Inc.]	System High Corp is a provider of proactive protection (P2), security engineering, counterintelligence, and cybersecurity solutions, serving select government and commercial customers.
Mar-25	Cog Systems, Inc. / Riverside Research Institute (RRI)	Cog Systems, Inc. is a provider of secure virtualization and cryptographic solutions for mobile and Internet of Things (IoT) devices in private sector and U.S. federal government enterprise markets.
Mar-25	North Point Defense, Inc. / General Atomics Corp.	North Point Defense, Inc. is a provider of Signals Intelligence (SIGINT) exploitation software and sensor integration for private sector and U.S. federal government aerospace and defense markets.

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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