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Defense & Government

INDUSTRY UPDATE | ***Q3 2026***

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Intel and Cyber News

Fixed-Price Contracts

Implementation of the fixed-price executive order (EO 14402) has been uneven. Some intelligence community customers are already releasing fixed-price solicitations, while others are relying on bridges and extensions to buy time. Executives also report that some agencies may shorten contract periods, such as two-year rather than five-year awards, to stay under the dollar thresholds that require senior approval for non-fixed-price contracts.

SBA Size Standards

In August 2026, the SBA proposed consolidating nearly 1,000 size standards into 338 and shifting many industries to employee-based standards. Revenue-based thresholds would rise in key services codes, including IT services from $34 million to $531 million and engineering from $25.5 million to $252 million. SBA estimates 37,000 current federal contractors, holding over $71 billion in FY2025 contracts, would become newly eligible as small. Comments are due November 20.

NSA Reorganization

In September 2026, NSA Director Gen. Joshua Rudd announced the agency's largest reorganization in at least a decade, replacing its directorates with five mission centers: Cybersecurity, Artificial Intelligence, China, Combat Support, and Global Intelligence. Full operating capability is targeted for January 2027. The realignment may reshape program offices, customer relationships, and funding priorities for NSA contractors, with AI and China-focused work likely gaining resources.

AI Supply Chain Protections

In September 2026, NSA, CISA, and the FBI issued a joint advisory accusing six China-based AI firms, including DeepSeek and Alibaba, of systematically extracting capabilities from U.S. frontier AI models since late 2024. The advisory frames AI model theft as a national security and supply chain risk, signaling growing demand for AI security, vendor risk management, and counterintelligence capabilities.

Post Quantum Prep

With FY2027 underway, the Department of War has one year left to reach "target level" Zero Trust, and agencies are shifting from planning to buying commercial solutions. Layered on top, Executive Order 14412 and the Department's post-quantum strategy require quantum-resistant encryption on sensitive systems by 2030, favoring commercial, standards-based products. Together, these create sustained demand for cyber modernization and integration services.

Interest Rate Hike

On September 16, 2026, the Federal Reserve raised its benchmark rate by 25 basis points to 3.75% to 4.00%, its first increase since 2023, citing persistent inflation. Most policymakers expect another hike before year end. Higher borrowing costs can pressure leverage and valuations in sponsor-backed deals, favoring well-capitalized strategic buyers and companies with predictable cash flow.

Market Landscape

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.

Recent Government Technology Services Transaction Highlights

ANNOUNCED:
AUG 2026

FTS

was acquired by

noblis

Target Description

FTS International is a provider of mission engineering, intelligence analysis, systems integration, and operational support for private sector and U.S. federal government defense, intelligence, and space markets. FTS International brings more than two decades of experience supporting intelligence and national security programs, with deep overhead mission knowledge and highly specialized space-engineering talent. Its highly skilled workforce and long-standing customer relationships complement Noblis' science and technology leadership, creating a stronger foundation for delivering integrated mission solutions.

ANNOUNCED:
AUG 2026

steampunk

was acquired by

MetroStar / A portfolio company of Veritas Capital

Target Description

Steampunk is a technology consulting and digital transformation firm helping reshape how U.S. federal agencies procure, develop, and deploy modern software capabilities. The company combines cloud-native development, agile software engineering, artificial intelligence, human-centered design, and DevSecOps with federal mission expertise to modernize legacy government systems and accelerate digital service delivery. Upon completion, Steampunk will be integrated within existing Veritas portfolio company MetroStar Systems, LLC.

ANNOUNCED:
AUG 2026

TENICA GLOBAL SOLUTIONS

was acquired by

McNally Capital

Target Description

Tenica Global Solutions is a provider of integrated engineering, mission operations, cybersecurity, and digital modernization solutions for private sector and U.S. federal government defense, intelligence, and space exploration markets. TENICA will continue operating under its established leadership team, with McNally serving as a strategic partner to support the company's long-term growth objectives.

ANNOUNCED:
AUG 2026

TERNION CORPORATION

was acquired by

PRECISE SYSTEMS / A portfolio company of Bluestone Investment Partners

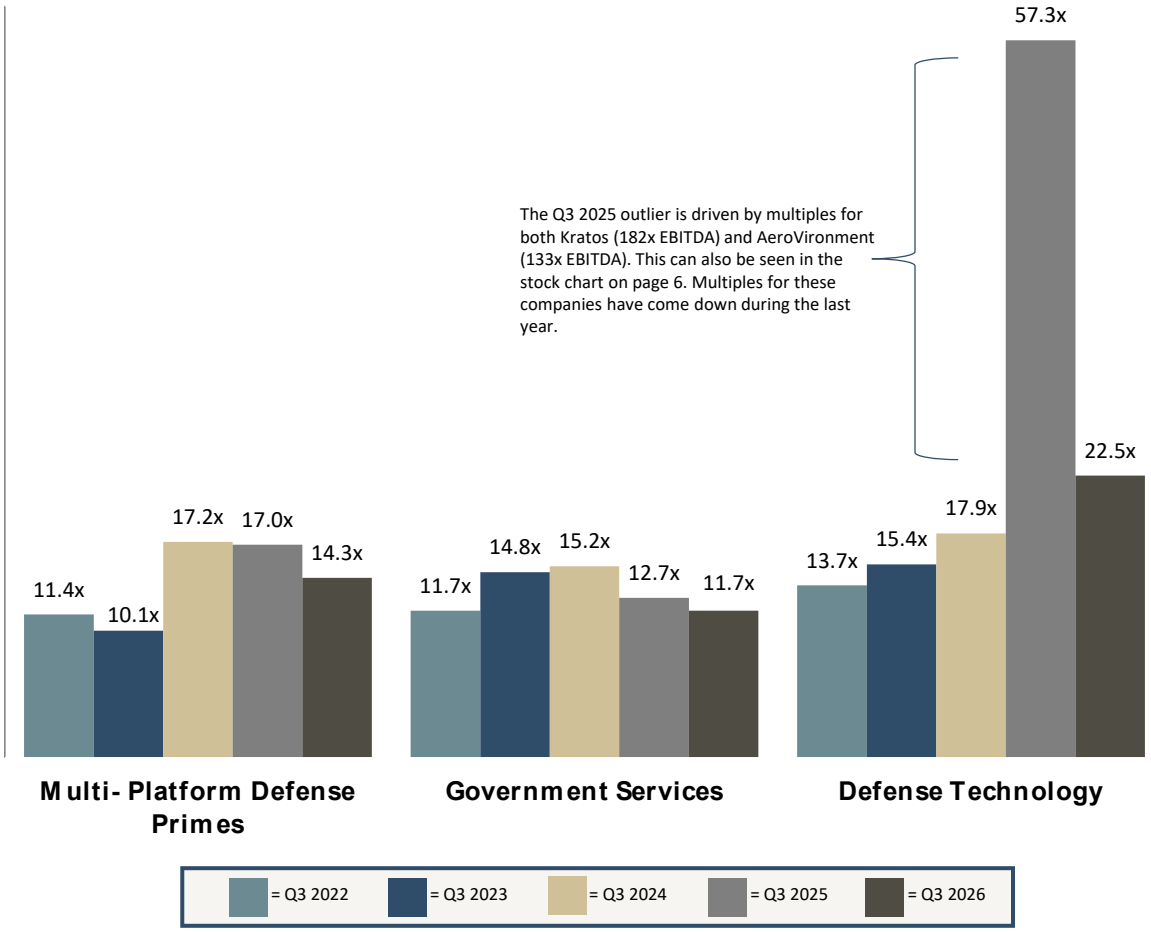
Target Description

Ternion is a developer of advanced modeling and simulation commercial off-the-shelf (COTS) software for private sector and U.S. federal government defense markets. The company's flagship FLAMES framework supports applications including command-and-control training, mission planning and rehearsal, systems analysis, test and evaluation, and operational training across air, land, maritime, and joint-domain environments. The FLAMES framework can model platforms, sensors, weapons, C4I systems, communications networks, human operators, and engagements while interfacing with external command-and-control and surveillance systems.

TEV/ EBITDA Public Valuation Multiples

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

Historical TEV/TTM EBITDA Multiples



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

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.

BAE SYSTEMS · BOEING · Honeywell · GENERAL DYNAMICS · L3HARRIS · LOCKHEED MARTIN · NORTHROP GRUMMAN · Raytheon Technologies

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's ability to provide for the national defense.

Booz | Allen | Hamilton · CACI · JACOBS · ICF · leidos · PARSONS · SAIC · V2X

Defense Technology

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

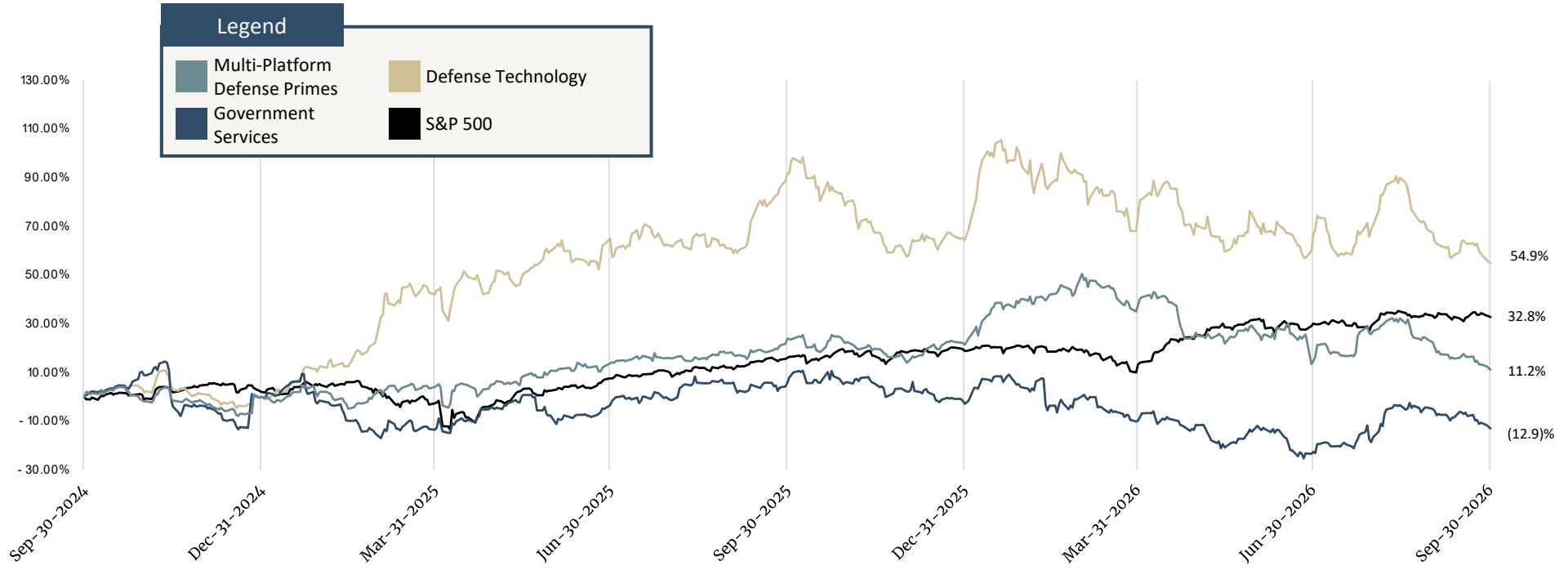
AeroVironment · COMTECH · mercury systems · KRATOS · TELEDYNE TECHNOLOGIES · THALES

Public Market Data

	($ in millions, except share price)	Market Data				Financial Performance						Enterprise Value /			
			% of 52	Market	Enterprise	TTM 2026			2026E			Revenue		EBITDA	
	Company	Price	Week High	Cap	Value	Revenue	EBITDA	EBITDA %	Revenue	EBITDA	EBITDA %	TTM	2026E	TTM	2026E
Multi-Platform Defense Primes	RTX Corporation	$185.65	81.8%	$250,211	$282,529	$93,500	$15,895	17.0%	$96,168	$16,210	16.9%	3.02x	2.94x	17.8x	17.4x
	The Boeing Company	186.05	73.1%	147,048	176,136	93,995	(2,900)	NM	97,966	4,328	4.4%	1.87x	1.80x	NM	40.7x
	Honeywell International Inc.	210.94	42.5%	66,855	92,934	38,057	8,512	22.4%	20,139	4,411	21.9%	2.44x	4.61x	10.9x	21.1x
	Lockheed Martin Corporation	509.25	73.6%	117,530	134,277	77,014	9,680	12.6%	81,010	11,269	13.9%	1.74x	1.66x	13.9x	11.9x
	General Dynamics Corporation	331.83	83.0%	89,644	94,790	54,861	6,633	12.1%	55,893	6,825	12.2%	1.73x	1.70x	14.3x	13.9x
	Northrop Grumman Corporation	483.48	62.5%	68,685	83,430	42,892	7,255	16.9%	44,067	6,200	14.1%	1.95x	1.89x	11.5x	13.5x
	BAE Systems plc (United Kingdom)	25.99	82.9%	73,508	80,308	38,981	4,979	12.8%	44,096	6,306	14.3%	2.06x	1.82x	16.1x	12.7x
	L3Harris Technologies, Inc.	236.78	62.4%	44,092	54,538	22,932	4,142	18.1%	23,611	4,305	18.2%	2.38x	2.31x	13.2x	12.7x
	Mean		**70.2%**					**16.0%**			**14.5%**	**2.15x**	**2.34x**	**13.9x**	**18.0x**
	Median		**73.4%**					**16.9%**			**14.2%**	**2.00x**	**1.86x**	**13.9x**	**13.7x**
Government Services	Leidos Holdings, Inc.	$121.83	59.2%	$15,289	$21,171	$17,634	$2,382	13.5%	$18,323	$2,462	13.4%	1.20x	1.16x	8.9x	8.6x
	Jacobs Solutions Inc.	135.27	80.3%	15,832	18,694	14,219	1,056	7.4%	15,074	1,402	9.3%	1.31x	1.24x	17.7x	13.3x
	Booz Allen Hamilton Holding Corporation	69.42	63.6%	8,350	11,970	11,093	1,255	11.3%	11,300	1,205	10.7%	1.08x	1.06x	9.5x	9.9x
	CACI International Inc	609.11	89.1%	13,461	18,653	9,568	1,189	12.4%	9,552	1,139	11.9%	1.95x	1.95x	15.7x	16.4x
	Parsons Corporation	40.97	45.8%	4,376	5,872	6,293	471	7.5%	6,359	522	8.2%	0.93x	0.92x	12.5x	11.2x
	Science Applications International Corporation	127.56	89.4%	5,344	7,923	7,402	753	10.2%	7,257	707	9.7%	1.07x	1.09x	10.5x	11.2x
	V2X, Inc.	70.77	75.3%	2,218	3,114	4,897	313	6.4%	4,978	358	7.2%	0.64x	0.63x	9.9x	8.7x
	ICF International, Inc.	83.13	84.8%	1,491	2,051	1,821	197	10.8%	1,904	215	11.3%	1.13x	1.08x	10.4x	9.5x
	Mean		**73.4%**					**9.9%**			**10.2%**	**1.16x**	**1.14x**	**11.9x**	**11.1x**
	Median		**77.8%**					**10.5%**			**10.2%**	**1.10x**	**1.08x**	**10.5x**	**10.6x**
Defense Technology	Thales S.A. (France)	$254.94	80.4%	$52,380	$52,986	$26,072	$3,505	13.4%	$27,063	$4,355	16.1%	2.03x	1.96x	15.1x	12.2x
	Teledyne Technologies Incorporated	606.81	87.0%	28,129	29,816	6,374	1,592	25.0%	6,560	1,643	25.0%	4.68x	4.55x	18.7x	18.1x
	AeroVironment, Inc.	142.22	34.0%	7,201	7,472	2,003	219	10.9%	1,898	273	14.4%	3.73x	3.94x	34.1x	27.4x
	Kratos Defense & Security Solutions, Inc.	42.69	31.9%	8,014	6,770	1,523	87	5.7%	1,795	177	9.9%	4.45x	3.77x	NM	38.3x
	Mercury Systems, Inc.	83.00	64.6%	4,991	5,280	984	80	8.2%	960	147	15.3%	5.37x	5.50x	NM	35.9x
	Comtech Telecommunications Corp.	1.37	22.1%	41	475	454	37	8.1%	435	36	8.3%	1.05x	1.09x	12.8x	13.1x
	Mean		**53.3%**					**11.9%**			**14.8%**	**3.55x**	**3.47x**	**20.2x**	**24.2x**
	Median		**49.3%**					**9.5%**			**14.8%**	**4.09x**	**3.85x**	**16.9x**	**22.8x**

Source: S&P Capital IQ Data as of 09/30/2026

CCA Government Services & Defense Indices Stock Performance



Key Observations

- Since September 2024, the S&P 500 has gained over 32%, while reaching multiple all-time highs.
- Defense Technology stocks continued to experience volatility in Q3 2026, with tailwinds including a profound transformation in how the Pentagon procures equipment, skyrocketing military budgets, and an urgent focus on software-defined capabilities.
- Government Services regained some of its losses in Q3 2026 but is still down nearly 13% since September 2024.

Selected GovCon Precedent Transactions in Q3 2026

WESTWAY ENTERPRISES *Acquired by* CAPITOL MERIDIAN PARTNERS Jul 2026	HIGHLIGHT *Acquired by* EmpowerAI H.I.G. CAPITAL Jul 2026	Quorum *Minority Investment by* ENLIGHTENMENT CAPITAL Jul 2026	TENICA GLOBAL SOLUTIONS *Acquired by* McNally CAPITAL Aug 2026
SYNTASA *Minority Investment by* VERIX EQUITY PARTNERS Aug 2026	steampunk *Acquired by* MetroStar VERITAS CAPITAL Aug 2026	TERNION CORPORATION *Acquired by* PRECISE SYSTEMS BLUESTONE INVESTMENT PARTNERS Aug 2026	FTS *Acquired by* noblis Aug 2026
ISS A division of Apriva, LLC *Acquired by* ITC FEDERAL BLUEDELTA CAPITAL PARTNERS Sep 2026	THE BELLWETHER GROUP *Acquired by* RAJANT Sep 2026	Athenix SPECIAL MISSIONS *Acquired by* DETROIT DEFENSE Sep 2026	INTELLIGENT WAVES ANYTIME. ANYWHERE. ANY DOMAIN. *Acquired by* BA DFW CAPITAL PARTNERS Sep 2026

How CCA Helps Government Contractors



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.



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.



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.

Chesapeake Corporate Advisors (CCA) 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 decades of experience.

Together we provide a collaborative, holistic approach to serving clients in the Mid-Atlantic region. CCA advises 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 stands ready to guide you through the process and help you achieve your goals.

Solutions for Every Critical Juncture

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

40+

Closed Tx since Jan. 2020

120+

2025 Valuations

12+

Advisory Clients Exited since Jan. 2021

The CCA Government Contracting Team



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