

RAYMOND JAMES

INVESTMENT BANKING

Government Technology Solutions Quarterly Market Update

Q4 2023

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Industry experience ⁽¹⁾

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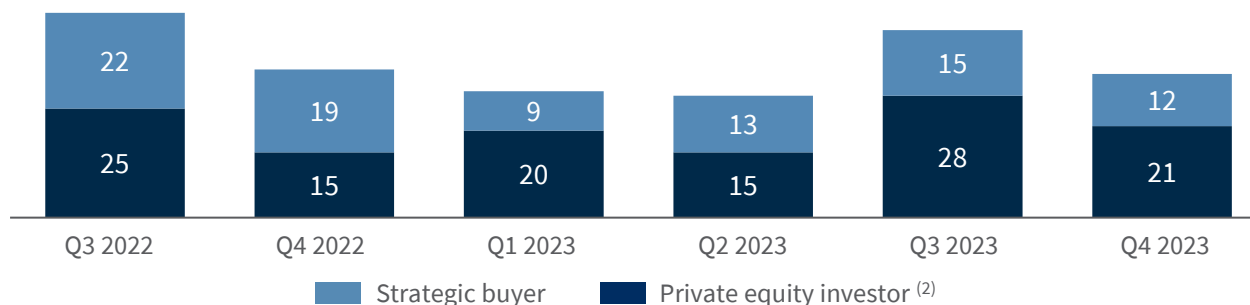
Sector-focused equity research coverage ⁽²⁾

	Booz Allen Hamilton	

Notes: (1) Transactions occurred between January 2020 and January 2024
 (2) The public companies displayed are actively covered by Raymond James Equity Research analysts

Government Technology Solutions update

Recent Government Technology Solutions transaction activity ⁽¹⁾



Recent representative M&A transactions ⁽³⁾

Target	Acquirer	Target	Acquirer
	⁽⁴⁾ Critical Mission Solutions		OCEANSOUND PARTNERS
			WESTVIEW CAPITAL PARTNERS
			OCEANSOUND PARTNERS

Source: DACIS, DefenseNews

Notes: (1) Totals include all closed transactions reported by DACIS / Infobase as of 12/31/2023

(2) Transactions are considered a private equity deal when the acquiring company is a private equity firm or a private equity-backed strategic

(3) Transactions were announced and completed between October 2023 and December 2023 and are organized by most recent transaction date

(4) Jacobs Solutions, Inc. entered into a definitive agreement on 11/20/23 to merge its Critical Mission Solutions business with Amentum Holdings, LLC, a portfolio company of American Securities, LLC and Lindsay Goldberg, LLC with an expected close date in the second half of FY2024

M&A activity summary

- The number of M&A transactions in the Government Technology Solutions sector exhibited growth throughout the second half of 2023, up 33% from the first half of 2023, building strong momentum heading into 2024. However, it is noteworthy that the pace of transactions remained slightly subdued compared to the heightened activity observed in the second half of 2022, down 6%
- Transaction volume by strategic buyers increased 23% in the second half of 2023 relative to the first half of 2023. Two notable deals were BlueVoyant’s acquisition of Conquest Cyber and the proposed merger of Amentum and Jacobs’ Critical Mission Solutions and Cyber & Intelligence businesses
- The second half of 2023 also saw the volume of private equity transactions rebound from the first half of 2023 with a 40% increase in total deal volume for new platform investments and add-on acquisition transactions. New platform investments in Q4 2023 included Capitol Meridian Partners’ investment in Clarity Innovations and Enlightenment Capital’s investment in Ridgeline International. Private equity-backed add-on acquisition activity included OceanSound-backed SMX’s acquisitions of Outside Analytics and Creal Consulting, and Enlightenment Capital-backed IntelliBridge’s acquisition of RVCM

Industry news

- Through a collaborative effort with multiple Department of Veterans Affairs (“VA”) and contracting teams, Cognosante, LLC announced in November that its Cloud Operations and Migrations Services team has successfully met and surpassed the VA’s primary objective of migrating 350 production applications into the Veterans Affairs Enterprise Cloud, five months ahead of the original deadline. This program demonstrates the VA’s and other agencies’ need to implement technologies allowing quicker, better, and easier application deployments.
- The Department of Defense has successfully executed a significant cloud migration initiative through a collaborative effort involving the Defense Information Systems Agency, GDIT, and Microsoft. The result of the initiative is the development of the Department of Defense 365-Sec, a pioneering hyper-scale cloud Software as a Service platform on a classified mission network. This project marks a significant advancement in how the Department of Defense and warfighters operate and collaborate, equipping them with secure, responsive, and resilient services for cloud-based operations and beyond.

Spotlight: Federal supply chain IT modernization

Amid escalating global threats and increasingly contested or degraded supply chain environments, IT modernization efforts for the nation’s supply chain infrastructure are now at the forefront of government priorities. Escalating geopolitical climates, warehouse labor shortages, and critical infrastructure security gaps are causing federal agencies to adopt new technologies, systems, and processes that increase agility, resilience, and response readiness across supply chain operations.

Examples of technologies currently being deployed include cloud-based, automated inventory management systems with real-time location tracking, 5G-enabled IIoT devices with self-guided asset retrieval, and intelligent automation tools that enable predictive asset maintenance. These federal investments are helping ensure a more secure and resilient federal supply chain that provides real-time visibility into critical national assets across manufacturing, logistics, and deployed environments.

Supply chain threat vectors



IIoT evolution and the continuous threat of cyber attacks



Nefarious actors



Proliferation of sensitive information



Geopolitical developments



Natural and man-made disasters



Human capital challenges

Agency-specific supply chain initiatives



DARPA is adopting stress-testing techniques from the financial regulation industry to improve the overall resilience of supply-and-demand networks critical to national security



The DoE announced in November 2023 a \$275 million grant for its Advanced Energy Manufacturing and Recycling Grant Program to bolster investment in clean energy supply chains



As outlined in DLA’s Supply Chain Security Strategy, the agency aims to ensure support to the warfighter by strengthening operational resiliency across the global supply chain



TRANSCOM’s Strategy Report highlights the need for the agency to adapt to dynamic threats such as transboundary threats, climate change, and pandemics

Supply chain by the numbers

11.1%

2023 – 2030 Global Supply Chain Management Market CAGR, growing from \$23.2B to \$48.6B

\$714M

Defense Production Act investments made by the Department of Defense in 2023 to support defense-critical supply chains

\$653M

Department of Transportation funding announced for modernization of port infrastructure to strengthen American supply chains in 2024

2024 supply chain modernization policy efforts

Facing challenges in the health of sub-tier suppliers, manufacturing capacity, and visibility into critical federal supply chains, the necessity for more resilient and modernized supply chains remains paramount to uphold adaptability, responsiveness, and scalability



New White House actions

The White house launched a Council on Supply Chain Resilience to advance the Biden Administration’s long-term strategy to leverage data analytics and new cross-government data-sharing capabilities to enhance supply chain resilience



Build America, Buy America

The Office of Management and Budget (“OMB”) recently released guidance on how to apply Build America, Buy America preferences to federal financial assistance programs for infrastructure



Software Supply Chain Security

Agencies are beginning to execute on an OMB directive that provides compliance guidelines “when using third-party software on the agency’s information systems or otherwise affecting the agency’s information



Supply Chain Risk Management

The Cybersecurity and Infrastructure Security Agency has published its new "Hardware Bill of Materials Framework for Supply Chain Risk Management", which outlines vendor communication guidelines, allowing purchasers to better assess and mitigate risks in their hardware supply chain



National Defense Industrial Strategy

The Department of Defense has published its “National Defense Industrial Strategy”, focused on creating resilient supply chains to endure, confront, and swiftly recover from disruptions. It underscores the importance of this effort to achieve a secure, adaptable, and cost-effective industrial ecosystem that supports national security objectives



New Federal Acquisition Regulation

Federal agencies are codifying acquisition rules to more effectively address supply chain cybersecurity in federal contracts by providing contracting officers with a single, consolidated location within the Federal Acquisition Regulation for cybersecurity supply chain risk management requirements

Public Government Technology Solutions market performance

Market Commentary

- The Government Technology index has maintained strong pace with the S&P 500 over the past eighteen months demonstrating the sectors resiliency during periods of heightened public market volatility. Strong underlying funding dynamics and enduring sector prioritization by government agencies continue to support the index in response to challenged public market dynamics.
- The Diversified IT index slightly underperformed the S&P 500 in 2023, but has recently experienced strong momentum heading into 2024 with recovering macroeconomic tailwinds.

July 2022 – present Government Technology Solutions index performance



Source: Capital IQ; data as of 12/31/2023
 Note: Companies included are those tracked internally by Raymond James, individual assets disclosed on next page

Public Government Technology Solutions companies

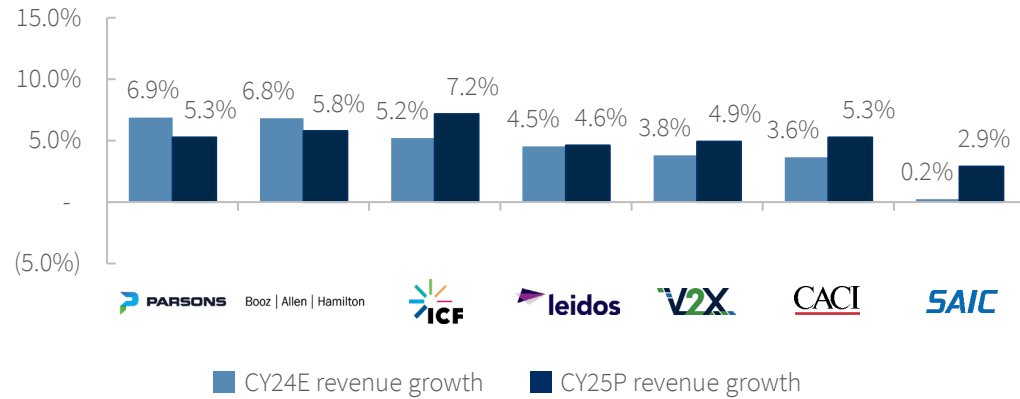
	Market Data					Financial Data LTM				Valuation Multiples TEV / LTM		Valuation Multiples TEV / CY 2024 (E)		Valuation Multiples TEV / CY 2025 (P)		
	Company Name	Ticker	Stock Price 12/29/2023	% of 52- Week High	Equity Value	Enterprise Value	Total Sales	EBITDA	EBITDA Margin	Debt / EBITDA	Total Sales	EBITDA	Total Sales	EBITDA	Total Sales	EBITDA
Government Technology	Booz Allen Hamilton Holding Corporation	NYSE:BAH	\$127.91	97.4%	\$16,677	\$19,763	\$10,031	\$1,073	10.7%	3.2x	2.0x	18.4x	1.8x	16.3x	1.7x	15.5x
	CACI International, Inc.	NYSE:CACI	\$323.86	90.1%	\$7,215	\$9,209	\$6,947	\$720	10.4%	2.6x	1.3x	12.8x	1.2x	11.2x	1.2x	10.8x
	ICF International, Inc.	NasdaqGS:ICFI	\$134.09	92.2%	\$2,523	\$3,263	\$1,960	\$211	10.8%	3.1x	1.7x	15.4x	1.6x	14.4x	1.5x	13.1x
	Leidos Holdings, Inc.	NYSE:LDOS	\$108.24	97.2%	\$14,884	\$19,403	\$15,155	\$1,614	10.6%	2.9x	1.3x	12.0x	1.2x	11.6x	1.2x	11.0x
	Parsons Corporation	NYSE:PSN	\$62.71	97.0%	\$6,578	\$7,451	\$5,052	\$435	8.6%	2.0x	1.5x	17.1x	1.3x	14.7x	1.3x	13.3x
	Science Applications International Corporation	NYSE:SAIC	\$124.32	91.4%	\$6,472	\$8,556	\$7,675	\$712	9.3%	3.1x	1.1x	12.0x	1.2x	12.2x	1.1x	11.7x
	V2X, Inc.	NYSE:VXX	\$46.44	81.8%	\$1,449	\$2,569	\$3,901	\$290	7.4%	3.1x	0.7x	8.9x	0.6x	8.4x	0.6x	7.8x
	Median:			92.2%	\$6,578	\$8,556	\$6,947	\$712	10.4%	3.1x	1.3x	12.8x	1.2x	12.2x	1.2x	11.7x
	Average:			92.5%	\$7,971	\$10,030	\$7,246	\$722	9.7%	2.9x	1.4x	13.8x	1.3x	12.7x	1.2x	11.9x
Diversified IT	Accenture plc	NYSE:ACN	\$350.91	98.7%	\$220,018	\$216,761	\$64,588	\$11,304	17.5%	0.2x	3.4x	19.2x	3.2x	16.9x	3.0x	15.3x
	Capgemini SE	ENXTPA:CAP	\$208.63	96.0%	\$35,664	\$40,898	\$24,818	\$3,352	13.5%	2.3x	1.6x	12.2x	1.6x	10.6x	1.5x	9.6x
	CGI, Inc.	TSX:GIB.A	\$107.49	97.3%	\$24,981	\$26,622	\$10,568	\$1,852	17.5%	1.4x	2.5x	14.4x	2.4x	11.7x	2.3x	11.3x
	Cognizant Technology Solutions Corporation	NasdaqGS:CTSH	\$75.53	98.3%	\$37,872	\$36,949	\$19,434	\$3,436	17.7%	0.4x	1.9x	10.8x	1.9x	10.6x	1.8x	9.8x
	DXC Technology Company	NYSE:DXC	\$22.87	75.6%	\$4,429	\$8,666	\$14,039	\$2,184	15.6%	2.0x	0.6x	N.M.	0.6x	N.M.	0.7x	N.M.
	International Business Machines Corporation	NYSE:IBM	\$163.55	98.3%	\$149,341	\$196,963	\$61,171	\$13,663	22.3%	4.0x	3.2x	14.4x	3.1x	12.2x	2.9x	11.4x
	NTT DATA Corporation	TSE:9613	\$14.18	91.4%	\$19,882	\$39,781	\$28,101	\$4,013	14.3%	3.9x	1.4x	9.9x	1.3x	9.1x	1.3x	8.3x
	Median:			97.3%	\$35,664	\$39,781	\$24,818	\$3,436	17.5%	2.0x	1.9x	13.3x	1.9x	11.2x	1.8x	10.6x
	Average:			93.7%	\$70,312	\$80,948	\$31,817	\$5,686	16.9%	2.0x	2.1x	13.5x	2.0x	11.9x	1.9x	11.0x

Source: Capital IQ; data as of 12/31/2023

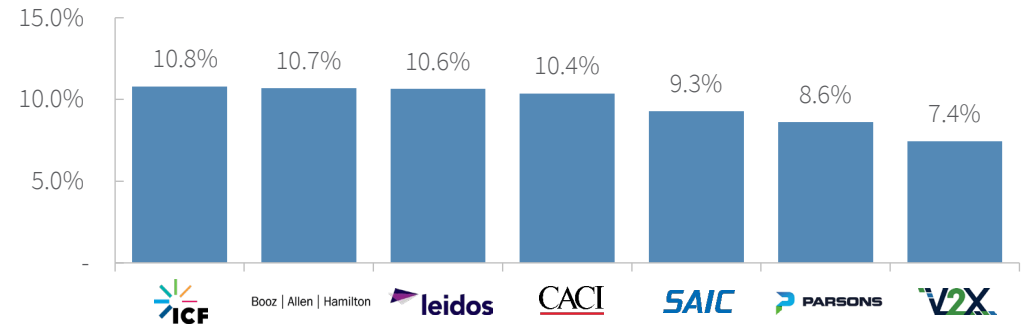
Notes: Financial projections are sourced from Capital IQ consensus estimates; foreign traded companies are listed in U.S. dollars at 12/31/2023 spot exchange rate; TEV / EBITDA valuation multiples less than 5.0x are considered not meaningful ("N.M."); Debt / LTM EBITDA figures represent total debt divided by LTM EBITDA, which includes a lease adjustment

Government Technology benchmarking

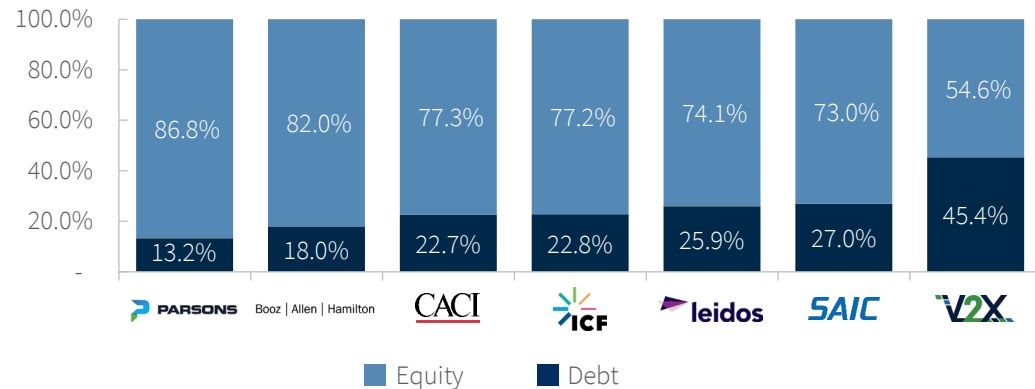
Revenue growth



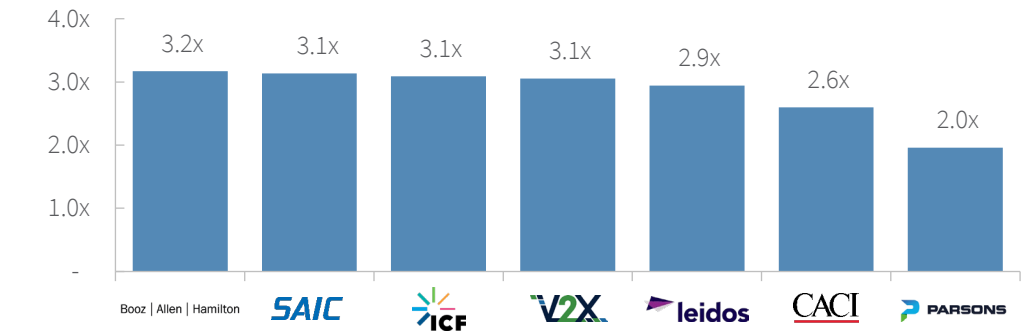
LTM EBITDA margin



Capital structure



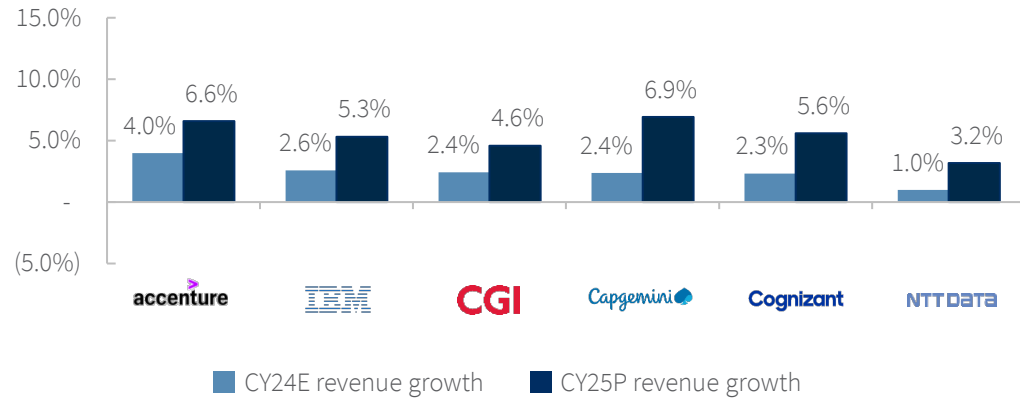
Total debt to LTM EBITDA ratio



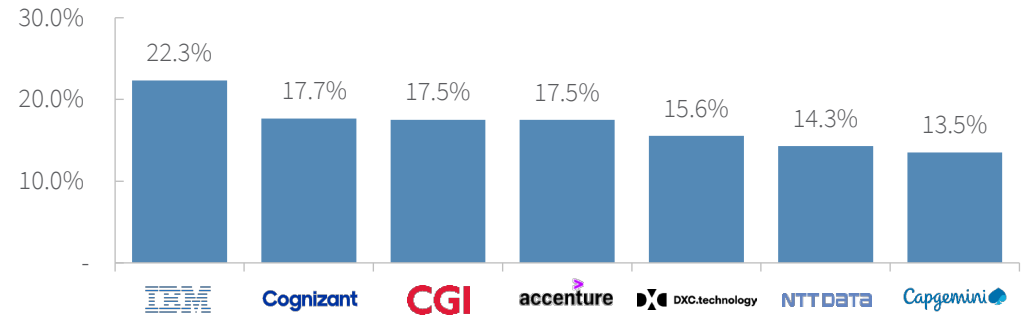
Source: Capital IQ; data as of 12/31/2023

Diversified IT benchmarking

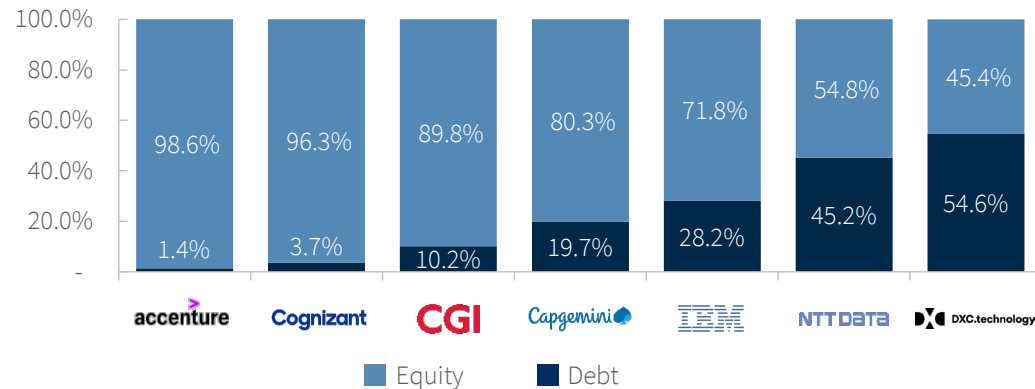
Revenue growth ⁽¹⁾



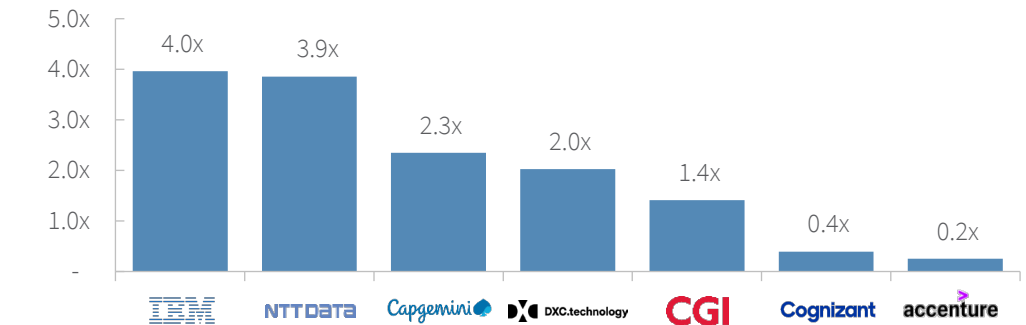
LTM EBITDA margin



Capital structure



Total debt to LTM EBITDA ratio



Source: Capital IQ; data as of 12/31/2023

Notes: (1) DXC Technology excluded due to non meaningful historical and projected revenue growth

Recent Government Technology Solutions transactions

- Capabilities
- Customers
- Buyer / seller perspective

Pending



a portfolio company of



has agreed to merge with



Critical Mission Solutions

to form a newly-formed public entity


\$13.0 billion

- Cybersecurity and data analytics
- Enterprise and mission IT
- Software application development
- Systems integration




The CEO of Amentum stated, “Uniting our great organizations – Amentum, CMS, and Cyber & Intelligence Solutions – creates a leading provider of systems integration and technology solutions with the talent, scope, scale and footprint to deliver excellence and a wider range of solutions for our clients.”

December 2023




has received a growth investment from



N.D.

- Assessment, monitoring, and evaluation
- Security sector assistance
- Stabilization and conflict mitigation
- Strategic communications



The CEO of Dexis stated, “We are thrilled to get the financial backing of CMEP, with a nearly 30-year track record of investing in the federal services marketplace. Our vision is to expand our social impact work within other agencies that make a difference to citizens, including natural disaster recovery, public health, climate change, and AI enabled citizen services.”

December 2023



has received a strategic investment from



N.D.

- Cyber defense and tool development
- Digital Signature Management
- Encrypted messaging
- Zero-trust architecture



A Partner at Enlightenment Capital stated, “Ridgeline will serve as the foundation for Enlightenment’s newest intelligence and cyber software platform. The pace of technological change and emerging threats in the UTS and DSM domains require continuous innovation, anticipation, and investment.”

Recent Government Technology Solutions transactions

- Capabilities
- Customers
- Buyer / seller perspective

December 2023



has been acquired by



\$5.3 billion


- Algorithm design and development
- Circuit board engineering
- Digital signal processing
- Systems engineering






A Partner at Bain Capital stated, “Guidehouse has established a clear leadership position in its space using a differentiated model built on collaboration, expertise, and great execution. We are excited to partner with Scott and his proven management team to continue growing organically and inorganically in an industry with strong, long-term fundamental tailwinds.”

December 2023






has received a strategic investment from



N.D.

- Agile DevSecOps
- Cyber operations
- Data engineering and AI / ML
- Full stack development

A Partner at Capitol Meridian stated, “Clarity is a trusted partner to key U.S. government departments and agencies, a responsibility we understand and look forward to supporting. We are excited to partner with Wes and the Clarity team to support their mission and growth strategy by investing in the continued development of Clarity’s people, capabilities, and intellectual property.”

November 2023



has been acquired by



N.D.

- Cloud management and configuration
- Incident response
- Risk analysis and management
- Threat analysis and engineering




The CEO and co-founder of BlueVoyant stated, “A significant gap persists in the market concerning comprehensive solutions that empower clients to assess, operationalize, validate, and mitigate risks. The integration of BlueVoyant’s and Conquest Cyber’s capabilities addresses this shortfall, bolstering our ability to protect clients’ internal and external digital ecosystems in a more comprehensive manner.”

Recent Government Technology Solutions transactions

November 2023



has been acquired by



a portfolio company of



N.D.

- Agile software development
- Cloud solutions
- Cybersecurity and data analytics
- User centered design



The CEO of IntelliBridge stated, “We are excited to welcome RVCM’s expert team of almost 200 software, cyber, and design professionals to the IntelliBridge family, where they will find colleagues just as passionate about applying technology to solve our nation’s greatest mission challenges.”

November 2023



has been acquired by



a portfolio company of



N.D.

- Accreditation services
- Continuous monitoring
- Cybersecurity engineering
- Perpetual information assurance



The CEO of Summit 7 stated, “We are thrilled to welcome the talented team at CSW Systems into the Summit 7 team. Their proven track record of delivering high-quality, security and compliance-focused services aligns seamlessly with our commitment to excellence and great customer relationships.”

October 2023



has been acquired by



a portfolio company of



N.D.

- Agile development
- Cloud integration
- Data analytics
- Digital transformation solutions



The CEO of SMX stated, “Creoal’s leading position in helping clients move to high performance cloud-native software platforms is in direct alignment with our growth strategy. Cloud Enterprise Business Application systems are a mission-critical resource for our clients, and Creoyal can help us accelerate positive mission outcomes in this strategic market.”

 Capabilities

 Customers

 Buyer / seller perspective

Locations and disclosure



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