



February 2021

M&A Insider Report

Defense, Government
& Intelligence

Physical & Cyber
Security

Critical
Infrastructure

Maritime Transport
& Facilities

Major News Stories

**Rolling Blackouts in the Lone Star State**

- Systemic energy infrastructure failures will force the utilities industry to evaluate their risk mitigation policies
- The Federal Government has made major funding commitments related to the crisis

**Petroleum Shipping Industry's Tides Rise with Oil**

- On February 7th, oil prices exceeded \$60 a barrel for the first time since the onset of the pandemic
- Rising prices provide a boost to the petroleum shipping industry which has suffered since the pandemic diminished oil demand

**Dollar Declines Empower Foreign Buyers**

- As the U.S. dollar's value continues to remain weak, foreign buyers are benefiting and have increased buying power when pursuing opportunities in the U.S.
- The weak dollar has also led to an increase in gold prices as they are quoted in U.S. dollars

**Hacker Attempts to Poison Water Supply**

- In mid-February, an attacker tried to hack into a Florida water facility and increase the levels of sodium hydroxide in the water, illustrating the threats that water facilities face and the importance of cybersecurity within critical infrastructure sectors

**Continued Emphasis on Cybersecurity**

- New York became the first state to issue cybersecurity insurance risk framework
- Minneapolis banned government use of facial recognition technology

FEBRUARY CAP RAISES

**Date:** 2/8/2021**Amount:** \$180.0M**Valuation:** \$1.1B

Overview

Nextthink, the leader in digital employee experience (DEX) management software, raised \$180.0M in Series D financing to reach a valuation of \$1.1B. This round of financing was led by Permira and supported by Highland Europe and Index Ventures. COVID, specifically remote working, has dramatically accelerated the need for DEX, which is now a critical component to employee satisfaction. Nextthink is uniquely positioned to reimagine the role of IT for the world's largest brands. In addition to the capital raise, the Company also announced the appointment of Bruce Chizen, former CEO of Adobe, to its board of directors.

**Date:** 2/9/2021**Amount:** \$125.0M**Valuation:** \$2.0B

Overview

Armis doubled its valuation to \$2.0B with its most recent round of financing. The \$125.0M funding round was led by Brookfield Technology Partners with additional participation by Insight Partners (acquired Armis in Jan. 2020), CapitalG, and Georgian. This round of capital will be used to fund an exciting backlog of new product development as well as an expansion of the marketing and sales teams. Armis is an enterprise IoT security company that has developed a platform to help clients discover and monitor managed, unmanaged, and IoT devices, including medical devices and industrial control systems (ICS).

**Date:** 2/23/2021**Amount:** \$90.0M**Valuation:** NA

Overview

Shield AI is a defense-technology company which uses self-driving software to enable unmanned systems to operate without GPS and communications. The Company raised \$90.0M in a Series C round through equity and debt financing. Shield AI anticipates using the funding to help scale and further integrate its self-driving software, Hivemind, into additional platforms across the Defense industry. The Company's software currently runs on its Nova-class SUAS and this round of funding will help accelerate the delivery of next generation AI capabilities to conflict zones at scale.

Source: PitchBook

Contract Value (\$M)	Award Date	End Date	Customer	Awardee	Type	Contract Scope
\$2,994	2/19/2021	8/31/2025	NAVSEA; U.S. Navy PEO Aircraft Carriers	Huntington Ingalls Industries	Cost Plus Incentive Fee	Encompasses the refueling, overhaul, alteration, repair, and modernization of the USS John C. Stennis (CVN 74)
\$2,000	2/23/2021	2/22/2031	U.S. Postal Service Vehicles Category Management Center (CMC)	Oshkosh Corp., Defense Segment	IDIQ	Finalize the production design of the NGDV and assemble 50,000 to 165,000 NGDVs over the next 10 years
\$1,062	2/12/2021	2/11/2031	NNSA; DoE EMCBC; DoE EM	SRS Critical Infrastructure Security, LLC	Cost Plus Award Fee / IDIQ	Objective is to implement DoE, EM, and NNSA Safeguards and Security Program requirements, responsibilities, and obligations
\$998	2/22/2021	2/28/2032	AFLCMC; U.S. Air Force PEO Digital	Georgia Tech Applied Research (GTARC)	Cost Plus Fixed Fee	Defense, research, engineering, science, and technology development
\$882	2/1/2021	1/31/2028	NAVAIR; NAWCTSD; U.S. Navy PEO Air ASW, Assault, and Special Missions	Vertex Aerospace, LLC	Firm Fixed Price	Furnishing materials required to support organizational and depot level maintenance and aircraft modifications
\$850	2/15/2021	2/14/2026	U.S. Coast Guard, Acquisition Directorate(CG-9); U.S. Coast Guard DCO	Lockheed Martin (Sikorsky Aircraft Company)	Firm Fixed Price / IDIQ	Provide up to 45 new, zero-time, airframe hulls, in the USCG MH-60T configuration
\$830	2/9/2021	8/31/2026	U.S. Army CCDC AvMC; U.S. Army ACC-RSA	SAIC	-	Develop and deliver aviation and missile total life cycle systems engineering, prototyping, software, technology, and systems simulation engineering to optimize joint Warfighter capabilities
\$600	2/18/2021	8/17/2029	U.S. Naval Facilities Engineering Command; NAVFAC Expeditionary Warfare Center (EXWC)	Serco, Inc.	IDIQ	Support global sustainment of worldwide Anti-Terrorism Force Protection (AT/FP) systems and assets

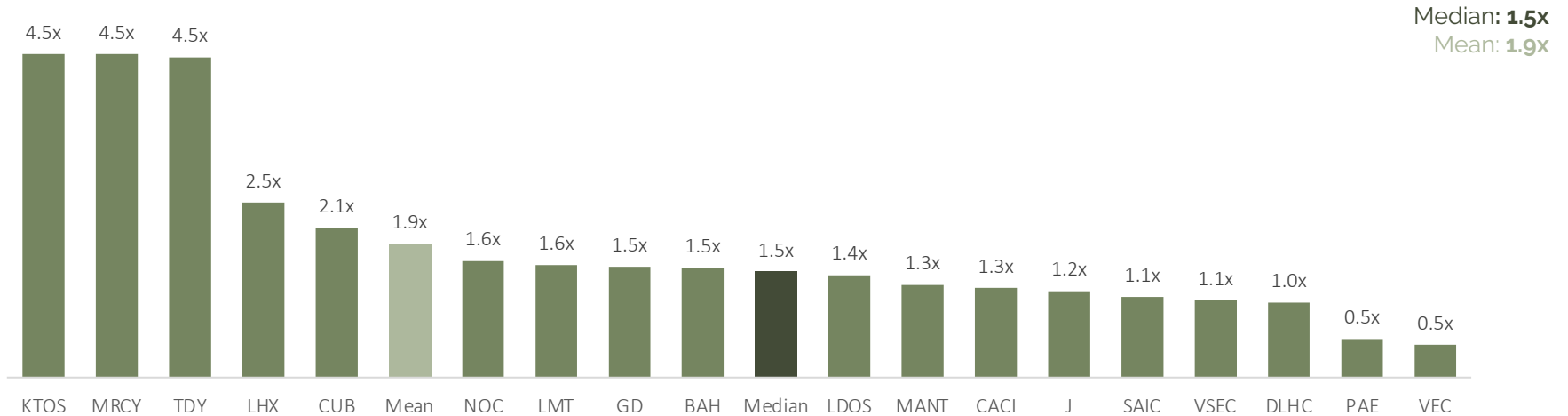
Source: DACIS

TRAILING TWELVE MONTHS (TTM) PUBLIC EQUITY INDEX CHART¹

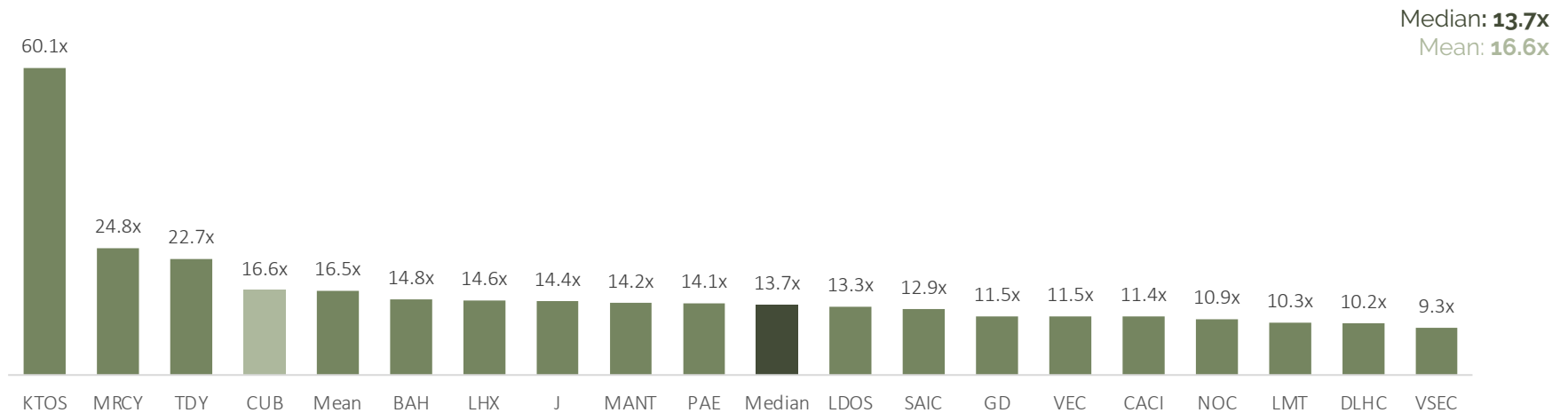
Source: S&P Capital IQ

1. For composition of indices, see pages 7-8

LTM REVENUE VALUATION MULTIPLES



LTM EBITDA VALUATION MULTIPLES



Source: S&P Capital IQ

CAPITAL MARKETS DATA

	Stock Price	Ent.	CY2020E			CY2021P			TEV /2020E		TEV/2021P	
	2/26/21	Value	Rev.	EBTIDA	Margin	Rev.	EBITDA	Margin	Rev.	EBITDA	Rev.	EBITDA
Defense Primes												
Lockheed Martin	330.25	102,651.2	68,133.0	10,592.0	15.5%	70,729.2	11,180.5	15.8%	1.51x	9.69x	1.45x	9.18x
Northrop Grumman	291.66	59,931.1	35,461.8	4,822.1	13.6%	37,073.2	4,932.2	13.3%	1.69x	12.43x	1.62x	12.15x
General Dynamics	163.47	58,623.8	38,771.9	4,989.5	12.9%	40,429.2	5,271.9	13.0%	1.51x	11.75x	1.45x	11.12x
L3Harris	181.91	44,597.5	18,853.4	3,968.9	21.1%	19,898.8	4,233.7	21.3%	2.37x	11.24x	2.24x	10.53x
Average	\$241.82	\$66,450.9	\$40,305.0	\$6,093.1	15.8%	\$42,032.6	\$6,404.6	15.9%	1.77x	11.28x	1.69x	10.75x
Middle Market Gov't Services												
PAE	8.17	1,410.5	2,647.2	175.7	6.6%	3,091.9	206.0	6.7%	0.53x	8.03x	0.46x	6.85x
VSE	38.56	764.4	661.0	74.6	11.3%	684.3	82.7	12.1%	1.16x	10.25x	1.12x	9.24x
Vectrus	54.60	649.3	1,402.2	56.8	4.1%	1,518.0	70.7	4.7%	0.46x	11.43x	0.43x	9.19x
DLH	10.14	224.7	237.7	24.3	10.2%	NA	NA	NA	0.95x	9.25x	NA	NA
Average	\$27.87	\$762.2	\$1,237.0	\$82.9	8.0%	\$1,764.7	\$119.8	7.8%	0.77x	9.74x	0.67x	8.42x
Gov't Contractors												
Leidos	88.45	17,573.6	13,873.9	1,441.6	10.4%	14,890.5	1,571.1	10.6%	1.27x	12.19x	1.18x	11.19x
Jacobs Engineering	115.08	16,368.7	14,193.0	1,165.9	8.2%	14,967.9	1,305.2	8.7%	1.15x	14.04x	1.09x	12.54x
Booz Allen Hamilton	77.14	12,027.3	8,237.0	846.6	10.3%	8,901.2	909.6	10.2%	1.46x	14.21x	1.35x	13.22x
CACI	86.13	7,742.9	7,136.9	627.5	8.8%	7,706.4	700.9	9.1%	1.08x	12.34x	1.00x	11.05x
SAIC	221.34	7,373.6	6,317.5	666.7	10.6%	6,671.6	739.6	11.1%	1.17x	11.06x	1.11x	9.97x
ManTech	78.16	3,250.2	2,691.3	246.2	9.1%	2,835.1	261.2	9.2%	1.21x	13.20x	1.15x	12.44x
Average	\$111.05	\$10,722.7	\$8,741.6	\$832.4	9.6%	\$9,328.8	\$914.6	9.8%	1.22x	12.84x	1.15x	11.74x

Source: S&P Capital IQ

CAPITAL MARKETS DATA

	Stock Price	Ent.	CY2020E			CY2021P			TEV /2020E		TEV/2021P	
	2/26/21	Value	Rev.	EBTIDA	Margin	Rev.	EBITDA	Margin	Rev.	EBITDA	Rev.	EBITDA
Defense Systems												
Teledyne Technologies	371.00	13,956.1	3,264.0	673.9	20.6%	3,446.0	735.6	21.3%	4.28x	20.71x	4.05x	18.97x
Mercury Systems	65.36	3,804.7	1,060.2	229.2	21.6%	1,154.7	234.1	20.3%	3.59x	16.60x	3.30x	16.25x
Kratos Defense	27.50	3,384.6	828.3	84.9	10.3%	962.8	111.3	11.6%	4.09x	39.87x	3.52x	30.42x
Cubic	69.45	3,080.5	1,545.1	181.7	11.8%	NA	NA	NA	1.99x	16.96x	NA	NA
Average	\$133.33	\$6,056.5	\$1,674.4	\$292.4	16.1%	\$1,854.5	\$360.3	17.7%	3.49x	23.53x	3.62x	21.88x
Low	\$8.17	\$224.7	\$237.7	\$24.3	4.1%	\$684.3	\$70.7	4.7%	0.46x	8.03x	0.43x	6.85x
Mean	\$126.58	\$19,848.5	\$12,517.5	\$1,714.9	12.1%	\$14,685.0	\$2,034.1	12.4%	1.75x	14.18x	1.66x	12.77x
Median	\$82.15	\$7,558.2	\$4,790.7	\$647.1	10.5%	\$7,189.0	\$737.6	11.3%	1.36x	12.26x	1.27x	11.15x
High	\$371.00	\$102,651.2	\$68,133.0	\$10,592.0	21.6%	\$70,729.2	\$11,180.5	21.3%	4.28x	39.87x	4.05x	30.42x

Source: S&P Capital IQ

**Date:** Pending**EV:** \$3.2B**EBITDA Multiple:** 15.7x

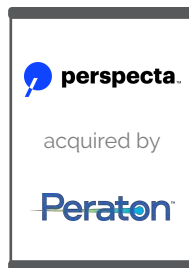
Transaction Details

Veritas Capital's acquisition of Cubic is one of several major acquisitions made by Veritas in recent months. Numerous PE-backed mega deals have already occurred this year and have been made possible by low interest rates and record dry powder. There is speculation among analysts that the company may be split up as Cubic possesses various capability segments that have little in common.

**Date:** 2/1/2021**EV:** \$3.4B**EBITDA Multiple:** NA

Transaction Details

Northrop Grumman sold its Federal IT and Mission Support Services Business to Veritas Capital portfolio company, Peraton. The large divestiture to a private equity firm illustrates the current buying power of PE-backed platform companies. Peraton is one of many companies trying to bolster their IT capabilities through inorganic growth in order to capitalize on recent, robust government spending in this sector.

**Date:** Pending**EV:** \$7.1B**EBITDA Multiple:** 11.3x

Transaction Details

Perspecta provides end-to-end enterprise IT services to government customers and was acquired by Peraton, a portfolio company of Veritas Capital. Peraton has made multiple acquisitions as part of a roll up strategy which continues to be a popular strategy among private equity firms.

**Date:** 1/14/2021**EV:** \$215.0M**EBITDA Multiple:** NA

Transaction Details

1901 Group is a leading provider of managed IT services and cloud solutions. In mid-January, the company was acquired by Leidos who provides an array of government services. The deal allows Leidos to expand its ability to address the accelerating cloud and IT services markets while also allowing Leidos to meet the growing customer demand for more fixed-priced, utility-based business arrangements.

**Date:** Pending**EV:** \$8.3B**EBITDA Multiple:** 18.0x

Transaction Details

FLIR designs and develops advanced sensors and integrated sensor systems. They were acquired by Teledyne Technologies for \$8.3B. The deal illustrates the ongoing intense consolidation occurring among middle market defense companies and the elevated multiples that buyers are willing to pay for companies that are the right fit.

**Date:** 12/31/2020**EV:** \$125.0**EBITDA Multiple:** NA

Transaction Details

Zenetex is a leading provider of management / technology support services to Federal Government agencies. The company was acquired by Vectrus who provides global facility and logistics support, information technology, and network communication services. The acquisition adds critical new capabilities to their offering which will accelerate Vectrus' converged infrastructure strategy.

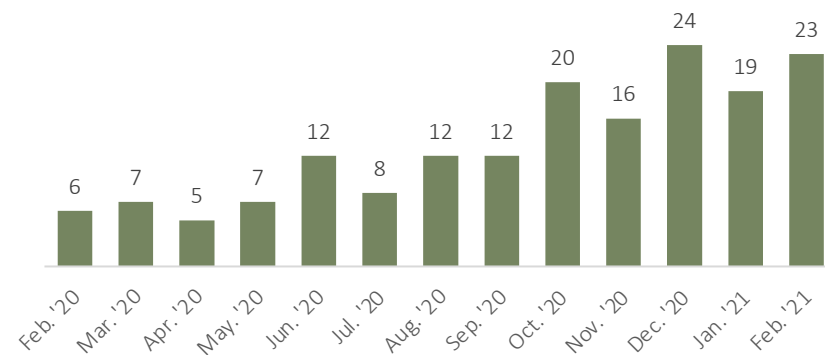
Sources: S&P Capital IQ, DACIS
Note: Includes transactions outside of February

Closed Date	Acquirer(s)	Target(s)	Target Description	EV (\$M)	EV /	
					Rev.	EBITDA
Pending	Veritas Capital	Cubic	Provides transportation systems, mission solutions, and global defense systems	\$3,193.1	2.18x	15.49x
Pending	CZG	Colt Defense	Manufactures firearms for military and law enforcement agencies	\$256.2	NA	NA
Pending	Codan	Domo Tactical Communications	Offers surveillance operations with overt and covert video, audio, tracking, and cellular applications	\$104.0	NA	NA
2/17/2021	Applied Insight	Bridges Consulting	Provides cyber security, big data, and frontier innovation solutions to federal / commercial clients	NA	NA	NA
2/15/2021	Black Holdings (dba Bogart Associates), CM Equity Partners	Undisclosed Buyer	Provides IT services to the Intelligence Community	NA	NA	NA
2/12/2021	Vance Street Management	CALCULEX / Argon / FDS Avionics	CALCULEX, Argon, and FDS Avionics were merged to form Spectra, a diversified avionics company	NA	NA	NA
2/12/2021	Pivotal Insight	Global Defense	Global Defense and Pivotal Insights merged to form Forge Forward, a defense consulting firm	NA	NA	NA
2/10/2021	QuantiTech	Millennium Engineering and Integration Company	Provides engineering services to the space, defense, cyber, intelligence, and aviation sectors	NA	NA	NA
2/9/2021	Karman Missile & Space Systems	American Automated Engineering	Manufactures space vehicle equipment	NA	NA	NA
2/1/2021	The Carlyle Group	IST Research / Two Six Labs	IST Research and Two Six Labs were merged to form Two Six Technologies, a tech. provider to the IC	NA	NA	NA
2/1/2021	General Atomics Electromagnetic Systems	Tiger Innovations	Develops spacecraft and space-related systems for a broad range of U.S. Government customers	NA	NA	NA
2/1/2021	Continental Mapping Consultants	Geographic Information Services	Develops location technology solutions for the government and commercial businesses	NA	NA	NA
2/1/2021	IntelliBridge	Alethix	Provides consulting, system engineering, infrastructure, and information management	NA	NA	NA
2/1/2021	IntelliGenesis	CybatiWorks	Provides training and consulting services to government, commercial, and academia customers	NA	NA	NA

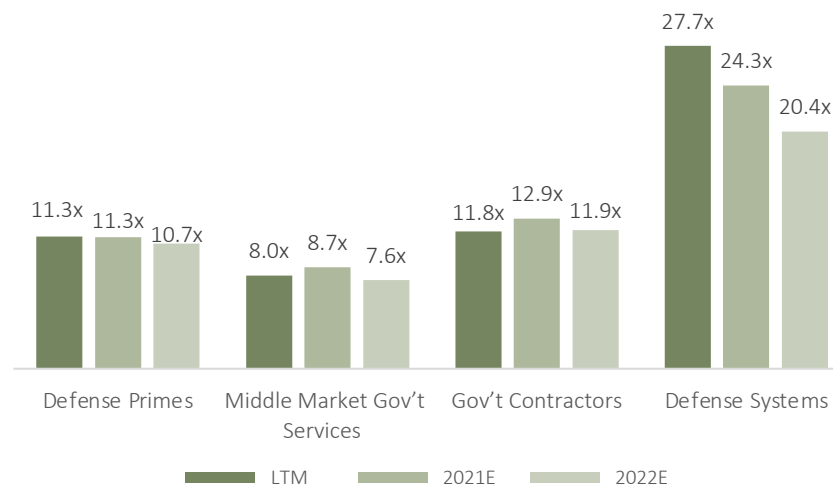
Sources: S&P Capital IQ, DACIS, press releases

- The Biden administration imposed a temporary freeze on U.S. arms sales previously made to Saudi Arabia as a result of concerns around Saudi-led attacks on Yemen. The administration is also currently reviewing sales made to the UAE, approved under the Trump administration. Although most of the transactions will likely go forward, the reviews illustrate the Biden administration's more stringent approach to weapon sales with foreign countries
- The U.S. Government eliminated barriers impeding joint space projects between the Pentagon and NASA. The focus on increased collaboration is meant to help counter the growing threat that China and Russia present to U.S. space interests. The country's increased attention to space initiatives is likely to result in additional spending dollars for contractors in this space
- Iran has started producing uranium metal in violation of the 2015 Iran Nuclear Deal and recently launched a new rocket showcasing their improved technology. Rising tensions may force the U.S. to maintain a presence in the Middle East
- Senator Chuck Schumer said the Senate plans to introduce a bipartisan technology research funding bill in the spring. The bill will focus on spending in areas including AI, 5G, quantum computing, biomedical research, and data storage

TRANSACTIONS BY MONTH



EBITDA VALUATION MULTIPLES



Sources: Wall Street Journal, DefenseNews, S&P Capital IQ

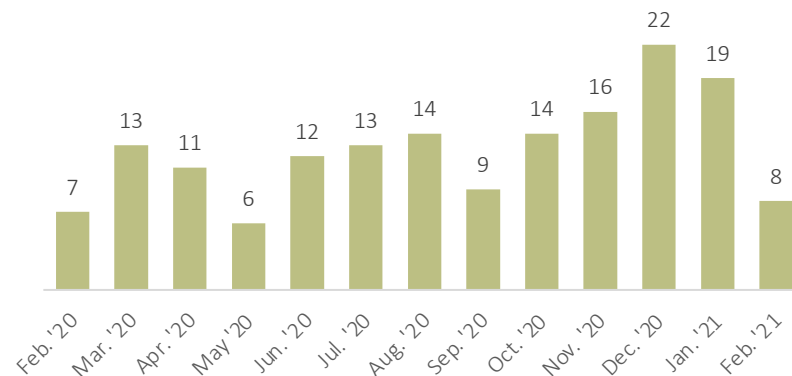
- New York becomes the first state to issue a cybersecurity insurance risk framework and recommends that insurers do not pay ransomware. Reasons for the recommendation include the potential liability of payouts to sanctioned organizations, no guarantee that data will be released upon payment, and insurers not yet being able to accurately measure cybersecurity risk. If companies cannot rely on insurance providers to cover cyber attacks, demand for cybersecurity will increase in order to prevent breaches
- Minneapolis banned government use of facial recognition technology, joining other major cities which have imposed similar restrictions such as Boston, San Francisco, and Portland. The decision reflects how the growing privacy concerns of citizens can hamper security implementation

Select Precedent Transactions

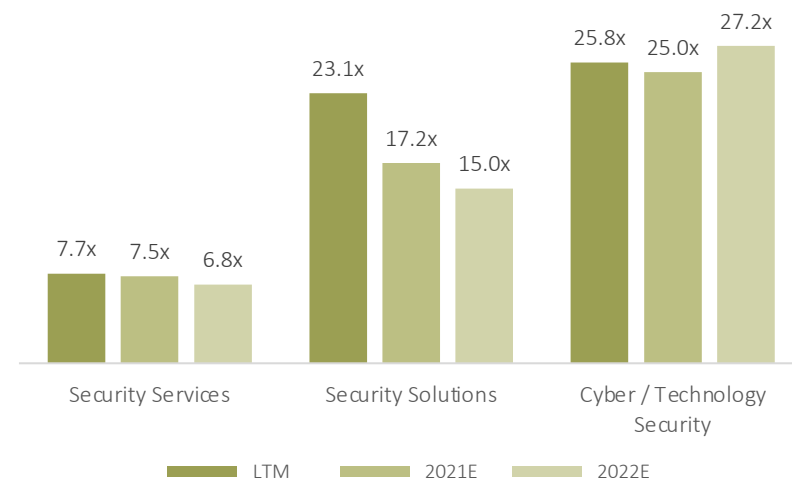


Sources: CSO, Security Info Watch, S&P Capital IQ:

TRANSACTIONS BY MONTH



EBITDA VALUATION MULTIPLES



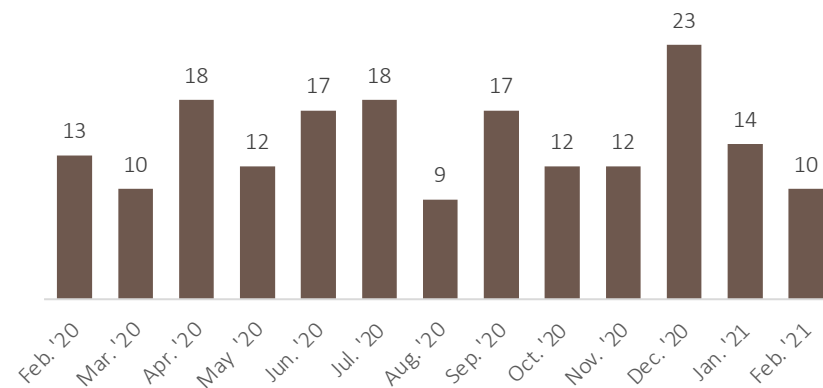
- On February 5th, an unidentified hacker attempted to raise the amount of sodium hydroxide in a municipal water system in Oldsmar, FL. The attack was executed through a remote access software that allowed the team to work remotely. This situation draws attention to the increasing need for technological and system upgrades to improve cyber preparedness and security, which according to EPA estimates will entail a \$750B investment
- A winter storm affected the entire state of Texas causing blackouts that started on February 15th and lasted for days. These blackouts were partially caused by the inability of state grids to adequately function during cold snaps. The blackouts reveal the flaws of Texas' electrical infrastructure and the substantial investments required in the near future

Select Precedent Transactions

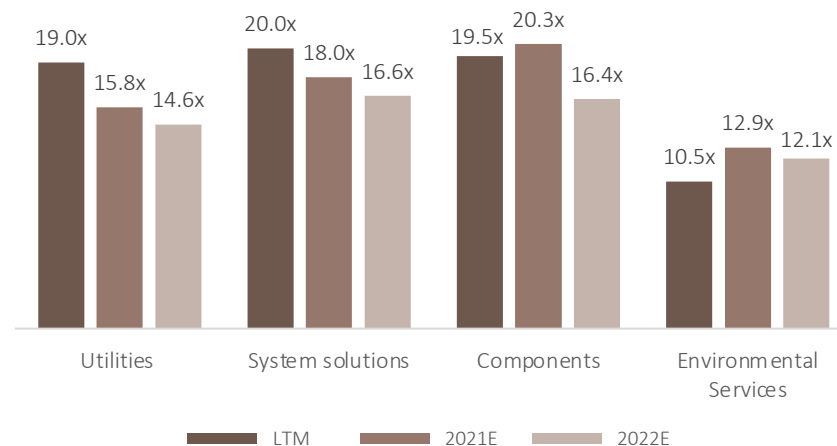


Sources: WSJ, CSO

TRANSACTIONS BY MONTH



EBITDA VALUATION MULTIPLES



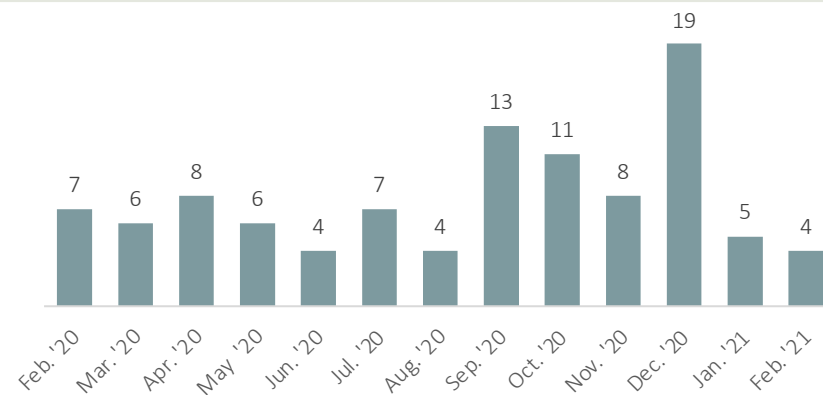
- Oil prices surged past pre-pandemic levels to ~\$63 per barrel. The surge has been fueled by a variety of factors including recovering demand from increased travel, potential of additional regulation under a Democrat-controlled government, and winter storms causing supply chain disruptions. Rising oil prices will help the petroleum shipping industry which has been struggling since the onset of the pandemic
- Reports released by MSI HORIZON as well as Allied Shipbroking detail bullish sentiment in the dry bulk shipping industry. Historically, earnings in this segment have been plagued by seasonal weakness. However, this year the industry is performing above average as strong demand for dry bulk commodities continues to push prices up

Select Precedent Transactions

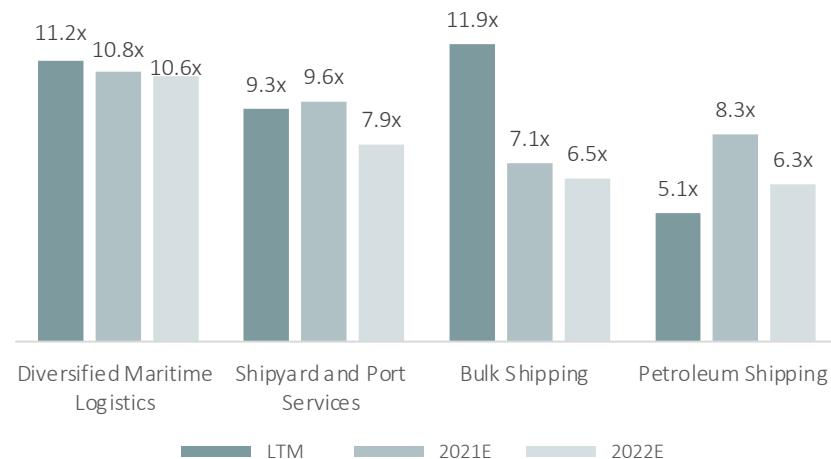


Sources: WSJ, Hellenic Shipping News, Seatrade Maritime News

TRANSACTIONS BY MONTH



EBITDA VALUATION MULTIPLES





IDS International Government Services, LLC acquired GovSource, Inc. (GSI), a provider of professional, management, scientific, and technology solutions for Government and public sector organizations. The Company provides tailored, customized design and implementation of training, advanced technologies, business processes, and human factors research; with the ability to define, develop, and implement holistic solutions that support rapid adaptation, efficiency and flexibility. GSI is a proven source for delivering quality research, education, training, technology, and equipment solutions that meet a broad range of client-unique needs and expectations.



Black Ice Holdings (dba Bogart Associates of Northern Virginia), a portfolio company of CM Equity Partners, L.P. (CMEP), acquired a privately held Herndon, VA-based provider of analytics, linguistics, and IT services to the U.S. Intelligence Community (IC). Founded in 2008, the Company's capabilities include all source analysis; computer forensics and media exploitation; counter-insurgency analysis; counter-intelligence analysis; counter-terrorism analysis; operations research analysis; project management; SIGINT analysis; DevOps; SysOps; and data science. The acquisition provides increased capabilities in analytics and IT services to the Black Ice / Bogart Associates platform.

The McLean Group LLC

1640 Boro Place | Fourth Floor | McLean, VA 22102 | (703) 827-0200 | www.mcleanllc.com

RYAN BERRY

Managing Director
Valuation Advisory
(703) 827-0091
rberry@mcleanllc.com

MARK BERTLER

Managing Director
Water & Wastewater
(847) 226-0793
mbertler@mcleanllc.com

JEFF CONN

Director
Security & Critical Infrastructure
(703) 752-9024
jconn@mcleanllc.com

NORMAN DUFOUR

Managing Director
DLS Marine
(504) 835-8505
ndufour@dlsmarine.com

MARC GRUZENSKI

Managing Director
Security & Technology
(703) 827-0246
mgruzenski@mcleanllc.com

TYLER HALSTEAD

Vice President
Valuation Advisory
(703) 752-9013
thalstead@mcleanllc.com

PAUL KLICK

Managing Director
Technology & Critical Infrastructure
(703) 752-9019
pklick@mcleanllc.com

MICHAEL LOFTUS

Vice President
Valuation Advisory
(703) 827-0200
mloftus@mcleanllc.com

MITCH MARTIN

Managing Director
Defense, Gov., and Intelligence
(703) 752-9009
mmartin@mcleanllc.com

SHARI OVERSTREET

Managing Director
Valuation Advisory
(512) 687-3485
soverstreet@mcleanllc.com

BARBRA PAPAS

Managing Director
Technology
(214) 773-7068
bpapas@mcleanllc.com

SCOTT SIEVERS

Vice President
Valuation Advisory
(703) 827-8685
ssievers@mcleanllc.com

ANDY SMITH

Managing Director
Defense, Gov., and Intelligence
(703) 827-0233
asmith@mcleanllc.com

HARRY WARD

Managing Director
DLS Marine
(504) 835-8505
hward@dlsmarine.com

JACK ZOLLINGER

Managing Director
Critical Infrastructure
(239) 595-5151
jzollinger@mcleanllc.com