



Q1 2021

M&A Insider Report

Defense, Government
& Intelligence

Physical & Cyber
Security

Critical
Infrastructure

Maritime Transport
& Facilities

The McLean Group is a 25-year-old boutique investment bank and financial services firm focused on the Defense, Government & Intelligence (DGI); Physical and Cyber Security; Critical Infrastructure; and Maritime Transport and Facilities markets. Our 60+ professionals bring deep industry experience and relentless execution to every client engagement. We provide solutions that blend financial creativity with operational expertise. Whether we are providing transaction advisory, valuation opinions, or growth capital, our services are unmatched in these core markets.

Our clients are special, and their missions are often vital to national security. They are required to be excellent at all times, and they expect the same from their transaction advisor.

HIGHLY SPECIALIZED BOUTIQUE INVESTMENT BANK

Our trusted team of financial professionals provides middle-market clients with transaction advisory services, business valuation services, and growth capital to help them reach their short and long-term goals.

CORE BUSINESS

Mergers & Acquisitions

*Sell-Side Advisory
Buy-Side Support
Corporate Divestures
Leveraged Transactions
ESOPs
Exit Strategy Plans*

Valuation Advisory

*Business Valuations
Complex Securities Valuations
ESOP Valuations
Estate & Gift Valuations
Impairment Testing
Portfolio Valuations
Purchase Price Allocations
Tangible Asset Valuations
Transaction Options
Transaction Valuations*

Growth Capital

Capital Infusion

KEY STATISTICS

> \$6B

Total Transaction Value Since 2010

25

Years Supporting Our Clients

130+

Closed M&A Engagements Since 2010

5

Dedicated Offices

6

Growth Capital Investments

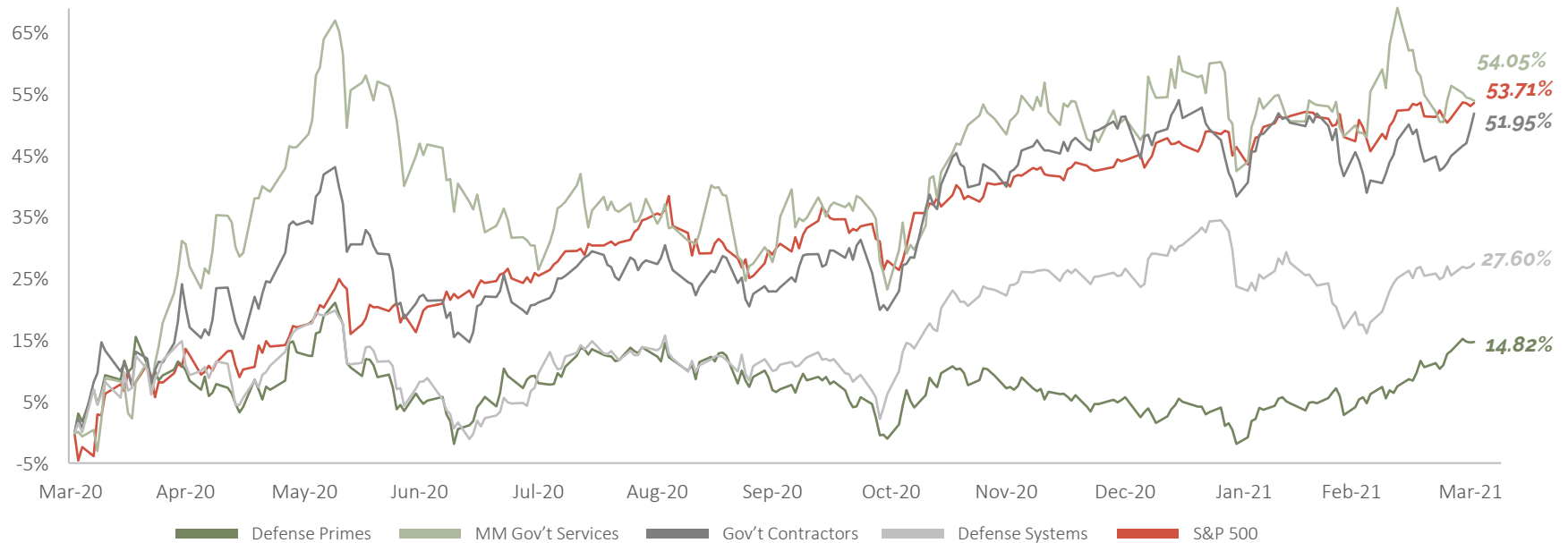
400+

Annual Valuation Clients

Defense, Government & Intelligence Overview

- **North Korea launched two ballistic missiles** earlier this month. This action did not violate United Nations sanctions against the country and is not being considered a provocation by the Biden Administration. It is suspected that these launches were in response to the combined U.S. – South Korean military exercises conducted earlier this month.
- **Iran and China sign Economic and Security Agreement.** The agreement includes Chinese investments in nuclear energy, ports, railroads, and transfers of military technology. This agreement comes at a time when Iran and the U.S. are currently jostling over returning to negotiations regarding the 2015 nuclear deal, with Iran currently in breach of the agreement enriching uranium at 20% purity. Iranian politicians are in disagreement over whether to return to the constraints of the nuclear accord ahead of presidential elections in June as each party is eager to be the one to claim credit for the lifting of economic sanctions.
- **Defense Secretary, Lloyd Austin, met with Afghan president, Ashraf Ghani,** ahead of the tentative withdrawal of American forces on May 1, a date the Biden Administration has said may be tough to meet as violence in the area remains high. The administration signaled that if the deadline is not met, troops will likely not remain in Afghanistan much longer.
- On March 30, the **Biden Administration announced its plans to unveil an ambitious multi-trillion-dollar proposal** that will likely give Washington a rejuvenated commercial role. The plan will involve two parts: the first focusing on physical infrastructure and R&D spending; the second focusing on investments in education and health care infrastructure. This increased spending proposal could fuel significant growth among federal civilian-focused contractors.
- **Russia and China signed an agreement to partner in the development of a lunar research station.** This agreement signals a marked shift in the longstanding U.S. – Russian space collaboration. The U.S. space program has become less reliant on Russian collaboration as SpaceX now has the capabilities to ferry astronauts to the ISS as opposed to the Russian Soyuz rocket.
- **Defense analysis firm, Janes, published its defense industry forecast for 2021** which included growth to continue at an abnormally low level of 0.7%. Drivers for this lower growth include reduced military exercises, reduced troop movements, and canceled or virtually held defense exhibitions / conferences, which have led to a decrease in major defense deals. Some segments are forecasted to grow faster including cyber-intelligence and cybersecurity, counter-UAS (C-UAS) technologies, and thermal imaging related technology.

Sources: Wall Street Journal, The New York Times

TRAILING TWELVE MONTHS (TTM) PUBLIC EQUITY INDEX CHART ¹


Market Commentary

- Defense Primes and Defense System indices have lagged the market due to an anticipated flattened DoD budget. This is due in large part to high debt levels which have resulted from current stimulus and administration priorities. However, there remains strong bipartisan support for continued defense and national security spending with a clear plan of addressing a heightened global threat environment.
- Middle Market Government Services and Government Contractors indices have closely tracked the market due to their more diversified presence and closer alignment to administration priorities such as cybersecurity, IT modernization, 5G, and space. The Middle Market Government Services index outpaced the S&P 500 by 0.34% whereas the Gov't Contractors index closely trailed the S&P 500 by 1.76%.
- Defense Primes continue to trail behind the market due to their aerospace exposure, which continues to be hampered by the pandemic despite the widespread rollout of vaccinations.

Source: S&P Capital IQ

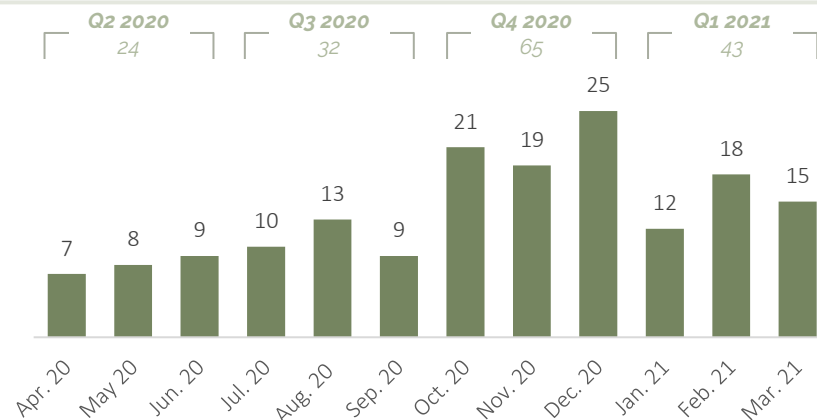
1. For composition of indices, see pages 9-10

Notable Precedent Transactions

M&A activity is off to a strong start in 2021 with many large deals being announced in the first quarter and valuations as high as 17x EBITDA. From a deal volume perspective, Q1 2021 has picked up right where Q4 2020 left off, which is promising for the remainder of 2021.

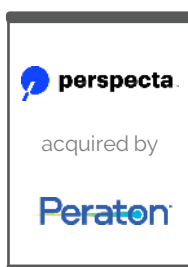
Much attention has been directed towards the bidding war for Cubic between Veritas / Elliott Management and Singapore-based ST Engineering. On March 31, Cubic's board ultimately accepted Veritas' final bid of \$75 per share, which was \$3 less than ST Engineering's final consideration. It was determined that Veritas offered a higher certainty and more attractive timing to close.

TRANSACTIONS BY MONTH



Key Statistics

Date: 3/31/2021 (A)
EV: \$3.3B
EBITDA Multiple: 15.7x
Subsector: Defense Systems



Key Statistics

Date: 1/27/2021 (A)
EV: \$7.3B
EBITDA Multiple: 11.3x
Subsector: Government Contractor



Key Statistics

Date: 3/2/2021
EV: \$2.5B
EBITDA Multiple: ND
Subsector: Government Contractor



Key Statistics

Date: 2/1/2021
EV: \$3.4B
EBITDA Multiple: ND
Subsector: Defense Prime



Key Statistics

Date: 1/4/2021 (A)
EV: \$8.0B
EBITDA Multiple: 17.1x
Subsector: Defense Systems



Key Statistics

Date: 3/1/2021 (A)
EV: \$1.1B
EBITDA Multiple: 13.5x
Subsector: Defense Prime

Sources: DACIS, S&P Capital IQ
(A) – announcement date

Closed Date	Acquirer(s)	Target(s)	Target Description	EV (\$M)	EV /	
					Rev.	EBITDA
1/4/2021	QuantiTech	Systems Engineering Group	Provides systems engineering and analysis services for the defense industry in the United States	NA	NA	NA
1/4/2021	Montrose Environmental Group	MSE Group	Provides environmental, engineering, and health / safety services to public and private entities	NA	NA	NA
1/4/2021 (A)	Teledyne Technologies	FLIR Systems	Develops and markets imaging, locater, diagnostic, and threat detection systems worldwide	\$7,986.8	4.15x	17.11x
1/5/2021	LinQuest	TMC Design	Provides electronic warfare and tactical space superiority solutions to the U.S. Government	NA	NA	NA
1/5/2021	TransDigm Group	Chelton	Designs and manufactures airborne communications and navigation antennas as well as subsystems	\$965.0	NA	NA
1/5/2021	Owl Cyber Defense Solutions	Trident Assured Collaboration Systems of Trident Systems	Provides VoIP and Video Teleconference Solutions as well as Full Motion Video filtering technologies	NA	NA	NA
1/7/2021	Axiologic Solutions	Knowledge Link	Offers program management, systems and software development, and intelligence analysis services	NA	NA	NA
1/8/2021	Bel Fuse	rms Connectors	Manufactures aluminum and stainless steel cylindrical electrical connectors for aviation	\$8.5	NA	NA
1/11/2021	System High	Engineering, and Management Support Business of Booz Allen	Comprises management and technology consulting, analytics, mission operations, and cyber business	NA	NA	NA
1/13/2021	VTG	Intelligent Shift	Provides information technology consulting services	NA	NA	NA
1/14/2021	Leidos	1901 Group	Offers infrastructure, applications management, and security services for public and private sectors	\$215.0	NA	NA
1/19/2021	Oshkosh	Pratt & Miller Engineering and Fabrication	Engineering and product development company for defense and motorsports industries	\$115.0	NA	NA
1/27/2021 (A)	Peraton	Perspecta	Provides enterprise IT services to government customers in the United States	\$7,273.7	1.62x	11.26x

Sources: DACIS, S&P Capital IQ
(A) – announcement date

Closed Date	Acquirer(s)	Target(s)	Target Description	EV (\$M)	EV /	
					Rev.	EBITDA
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 geospatial solutions for the government, military, airport, energy, and healthcare industry	NA	NA	NA
2/1/2021	IntelliBridge	Alethix	Provides solutions related to information infrastructure transformation to federal agencies	NA	NA	NA
2/1/2021	Peraton	Federal IT and Mission Support Business of Northrop Grumman	Comprises the Federal IT and mission support services of Northrop Grumman	\$3,400.0	NA	NA
2/9/2021	Karman Missile & Space Systems	American Automated Engineering	Manufactures space vehicle equipment	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
2/10/2021	Global Defense (nka:Forge Forward)	Pivotal Insight	Global Defense and Pivotal Insight merged to create new player in government contracting space	NA	NA	NA
2/15/2021	Black Holdings	Undisclosed Firm	CALCULEX, Argon, and FDS Avionics were merged to form Spectra, a diversified avionics company	NA	NA	NA
2/16/2021	Vance Street Management	CALCULEX/Argon/FDS Avionics	Provides IT services to the Intelligence Community	NA	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
2/17/2021	RedWire	Deployable Space Systems	Engages in the R&D, analysis, manufacturing, and testing of mission critical deployable space systems	NA	NA	NA
2/19/2021	AeroVironment	Arcturus UAV	Designs and manufactures UAS that offer a range of leading capabilities	\$409.9	4.88x	11.71x

Sources: DACIS, S&P Capital IQ

Closed Date	Acquirer(s)	Target(s)	Target Description	EV (\$M)	EV /	
					Rev.	EBITDA
3/1/2021	MAXIMUS Federal Services	Federal Division of Attain	Comprises business process services (BPS) to the U.S. federal market	\$430.0	NA	NA
3/1/2021	VSE	HAECO Special Services	Offers fully integrated MRO support solutions for military and government aircraft	NA	NA	NA
3/1/2021 (A)	CAE USA	L-3 Link Simulation & Training / AMI Instruments / L3 Doss Aviation	Supplies simulation systems, training services, and aircraft logistics support for the U.S. military	\$1,050.0	2.10x	13.50x
3/2/2021	Criterion Systems	Realm Consulting	Provides software, network, and cybersecurity services for U.S. Intelligence Community	NA	NA	NA
3/2/2021	Jacobs Consulting Solutions	PA Consulting Group	Provides consulting services, technology solutions, and innovation solutions	\$2,458.2	NA	NA
3/3/2021	Vitretek	DynamicSignals	Offers portable USBs, analog to digital converters, and oscilloscope/waveform software and systems	NA	NA	NA
3/8/2021	HDT Global	Business Assets of TerraGroup	Manufacturing operations of water purification, storage, and distribution systems for armed forces	NA	NA	NA
3/8/2021	Quantic	Planar Monolithics Industries	Manufactures communication devices for the space and military sectors	NA	NA	NA
3/8/2021	Electronic Technologies Group	Business and Assets of Pyramid Semiconductor	Comprises semiconductor designing and manufacturing operations	NA	NA	NA
3/15/2021	VirTex Enterprises	Altron	Provides electronic and electro-mechanical contract manufacturing solutions	NA	NA	NA
3/24/2021	Noble Sales	Tactical & Survival Specialties	Provides tactical and specialized operational equipment for crisis, disaster, and special operations	NA	NA	NA
3/25/2021	RedWire	Genesis Park Acquisition	Designs, develops, and manufactures spacecraft architecture and components	NA	NA	NA
3/31/2021 (A)	Veritas Capital, Evergreen Coast Capital	Cubic	Designs, integrates, and operates systems, products, and services for C4ISR customers worldwide	\$3,236.6	2.21x	15.70x

Sources: DACIS, S&P Capital IQ
(A) – announcement date

CAPITAL MARKETS DATA												
	Stock Price 3/31/21	Ent. Value	CY2021E			CY2022E			TEV /2021E		TEV/2022E	
			Revenue	EBTIDA	Margin	Revenue	EBITDA	Margin	Revenue	EBITDA	Revenue	EBITDA
Defense Primes												
Lockheed Martin	369.50	113,131.2	68,133.0	10,592.0	15.5%	70,729.2	11,180.5	15.8%	1.66x	10.68x	1.60x	10.12x
Northrop Grumman	323.64	65,262.7	35,465.5	4,825.6	13.6%	37,101.4	4,960.3	13.4%	1.84x	13.52x	1.76x	13.16x
General Dynamics	181.56	63,793.5	38,794.6	4,988.1	12.9%	40,463.7	5,261.3	13.0%	1.64x	12.79x	1.58x	12.13x
L3Harris	202.68	48,273.1	18,824.3	3,965.3	21.1%	19,807.6	4,205.5	21.2%	2.56x	12.17x	2.44x	11.48x
Average	\$269.35	\$72,615.1	\$40,304.4	\$6,092.7	15.8%	\$42,025.5	\$6,401.9	15.9%	1.93x	12.29x	1.84x	11.72x
Middle Market Gov't Services												
PAE	9.02	1,844.4	3,103.8	211.3	6.8%	3,238.2	224.5	6.9%	0.59x	8.73x	0.57x	8.22x
VSE	53.44	757.4	1,688.5	82.3	4.9%	1,907.6	99.1	5.2%	0.45x	9.20x	0.40x	7.65x
Vectrus	39.50	779.6	683.6	84.3	12.3%	775.3	98.6	12.7%	1.14x	9.25x	1.01x	7.91x
Average	\$33.99	\$1,127.1	\$1,825.3	\$126.0	8.0%	\$1,973.7	\$140.7	8.3%	0.73x	9.06x	0.66x	7.92x
Gov't Contractors												
Leidos	96.28	18,631.8	13,869.1	1,446.5	10.4%	14,890.5	1,571.1	10.6%	1.34x	12.88x	1.25x	11.86x
Jacobs Engineering	129.27	18,214.6	14,339.5	1,164.9	8.1%	14,981.1	1,307.3	8.7%	1.27x	15.64x	1.22x	13.93x
Booz Allen Hamilton	80.53	12,494.1	8,237.0	846.6	10.3%	8,901.2	909.6	10.2%	1.52x	14.76x	1.40x	13.74x
CACI	83.59	7,551.8	7,246.9	634.4	8.8%	7,632.6	673.1	8.8%	1.04x	11.90x	0.99x	11.22x
SAIC	246.66	8,012.4	6,317.5	665.5	10.5%	6,671.6	739.6	11.1%	1.27x	12.04x	1.20x	10.83x
Parsons	40.44	4,533.3	3,950.0	362.7	9.2%	4,145.7	390.9	9.4%	1.15x	12.50x	1.09x	11.60x
ManTech	86.95	3,606.2	2,691.3	246.2	9.1%	2,835.1	261.2	9.2%	1.34x	14.65x	1.27x	13.81x
Average	\$109.10	\$10,434.9	\$8,093.0	\$766.7	9.5%	\$8,579.7	\$836.1	9.7%	1.28x	13.48x	1.20x	12.43x

Source: S&P Capital IQ

CAPITAL MARKETS DATA												
	Stock Price 3/31/21	Ent. Value	CY2021E			CY2022E			TEV /2021E		TEV/2022E	
			Revenue	EBTIDA	Margin	Revenue	EBITDA	Margin	Revenue	EBITDA	Revenue	EBITDA
Defense Systems												
HEICO	125.80	16,550.7	1,926.3	521.7	27.1%	2,155.2	609.9	28.3%	8.59x	31.72x	7.68x	27.14x
Teledyne	413.65	15,560.7	3,264.0	673.9	20.6%	3,446.0	735.6	21.3%	4.77x	23.09x	4.52x	21.15x
Elbit Systems	141.48	7,154.4	4,811.0	530.0	11.0%	4,993.0	570.0	11.4%	1.49x	13.50x	1.43x	12.55x
Mercury Systems	70.65	4,101.7	1,060.2	229.5	21.6%	1,154.7	253.8	22.0%	3.87x	17.87x	3.55x	16.16x
Kratos	27.28	3,390.3	831.0	85.1	10.2%	959.4	110.9	NA	4.08x	39.86x	3.53x	30.56x
Average	\$155.77	\$9,351.5	\$2,378.5	\$408.0	18.1%	\$2,541.6	\$456.0	20.8%	4.56x	25.21x	4.14x	21.51x
Low	\$9.02	\$757.4	\$683.6	\$82.3	4.9%	\$775.3	\$98.6	5.2%	0.45x	8.73x	0.40x	7.65x
Mean	\$143.26	\$21,770.7	\$12,380.9	\$1,692.4	12.9%	\$12,988.9	\$1,798.0	13.3%	2.19x	15.62x	2.03x	13.96x
Median	\$96.28	\$8,012.4	\$4,811.0	\$634.4	10.5%	\$4,993.0	\$673.1	11.3%	1.49x	12.88x	1.40x	12.13x
High	\$413.65	\$113,131.2	\$68,133.0	\$10,592.0	27.1%	\$70,729.2	\$11,180.5	28.3%	8.59x	39.86x	7.68x	30.56x

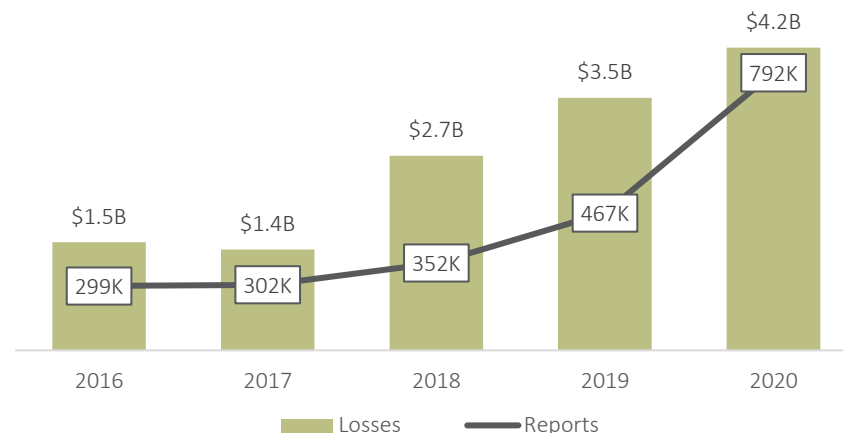
Source: S&P Capital IQ

Physical & Cyber Security Overview

- The Joint Commission, the organization that accredits healthcare professionals, released a report earlier this month on threats and violence faced by healthcare workers. The report found that **healthcare professionals have experienced increasing violence** in the workplace with reported incidents rising 20% in 2020. This increase in workplace violence is likely due to the influx of people in hospitals due to the COVID-19 pandemic as well as heightened circumstances amidst a global pandemic. This has brought an increased awareness to physical security services required in healthcare settings and the additional expertise that comes with serving the healthcare market.
- Data breaches continue to plague industries across the globe, further emphasizing the importance of cybersecurity. Major security breaches this quarter include:
 - On March 21, a criminal organization gained access to the networks of the computer manufacturer, Acer. The organization is demanding a \$50M ransom payment to avoid the publishing of the compromised data.
 - On March 11, Molson Coors was hit by a ransomware attack that disrupted its brewing operations and shipments, which wasn't dissimilar to the Campari Group attack in Nov. 2020
 - On March 2, Malaysian Airlines suffered a data breach that resulted in compromised personal information of some of its frequent flyers program members.

Sources: Wall Street Journal, The New York Times, FBI, Security Magazine

FBI CYBER CRIME REPORTS AND RELATED LOSSES



- The FBI published its 2020 internet crime report in March. Per the report, the FBI saw a 69% increase of complaints in 2020 compared to 2019. Total losses related to internet crime grew from \$3.5B in 2019 to \$4.2B in 2020. Complaints of phishing-related crimes more than doubled in 2020 with losses related to compromised corporate email phishing totaling \$1.8B in 2020. The increasing prevalence of attacks and losses related to targeting personnel within an organization will remain an ongoing focus of security professionals. The FBI also noted thousands of complaints from individuals and businesses pertaining to the CARES Act stimulus funds, specifically targeting unemployment insurance, PPP loans, and Small Business Economic Injury Disaster Loans (EIDL).

TRAILING TWELVE MONTHS (TTM) PUBLIC EQUITY INDEX CHART ¹


Market Commentary

- The pandemic has positively affected a large majority of security companies as the world becomes more dependent on technology which increases the associated risks / exposure. As a result of this ongoing trend, all security indices performed well relative to the S&P 500.
- The Security Solutions index notably outperformed the S&P 500 by nearly 13% due to the increasing adoption of smart home technologies with integrated security services among consumers.
- The Cyber Security and Security Services indices finished the quarter slightly below the S&P, with significant variation of performance among compromising firms.

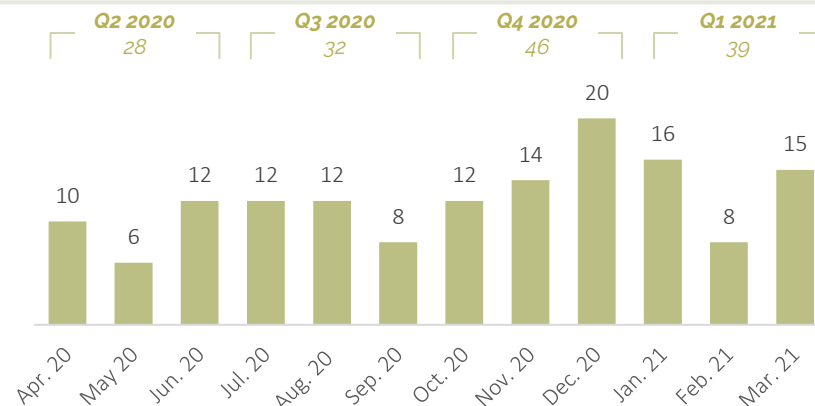
Source: S&P Capital IQ

1. For composition of indices, see pages 17-18

Notable Precedent Transactions

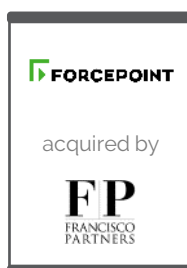
Q1 2021 M&A activity in the physical and cyber security sector has continued its momentum from 2020. The first quarter of 2021 included several large sized transactions, especially within the cybersecurity subsector. Most notably, McAfee announced that it would be selling off its Enterprise Security business to Symphony Technology Group (STG), with the remaining business focusing on consumer solutions. STG acquired the security vendor, RSA, from Dell last year. It is expected that STG will combine the entities to compete against the likes of Palo Alto and Fortinet in the enterprise cybersecurity market.

TRANSACTIONS BY MONTH



Key Statistics

Date: 3/8/2021 (A)
EV: \$4.0B
EBITDA Multiple: ND
Subsector: Cybersecurity



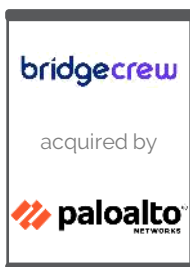
Key Statistics

Date: 1/11/2021
EV: \$1.1B
EBITDA Multiple: ND
Subsector: Cybersecurity



Key Statistics

Date: 3/20/2021
EV: ND
EBITDA Multiple: ND
Subsector: Cybersecurity



Key Statistics

Date: 3/2/2021
EV: \$200.0M
EBITDA Multiple: ND
Subsector: Cybersecurity



Key Statistics

Date: 2/11/2021
EV: \$640.0M
EBITDA Multiple: ND
Subsector: Cybersecurity



Key Statistics

Date: 3/10/2021
EV: ND
EBITDA Multiple: ND
Subsector: Security Solutions

Sources: S&P Capital IQ
(A) = announcement date

Closed Date	Acquirer(s)	Target(s)	Target Description	EV (\$M)	EV /	
					Rev.	EBITDA
1/5/2021	Garmin International; Garmin Services	Substantially All Assets of GEOS Worldwide Limited	Provides safety, security, and risk mitigation solutions	NA	NA	NA
1/6/2021	Clarience Technologies	Electronic Controls	Provides safety lighting, audible warning equipment, and other technologies for vehicles	NA	NA	NA
1/8/2021	The New Internet	Authenticated Reality	Online security and encryption company	NA	NA	NA
1/8/2021	South Western Communications	All Systems	Offers solutions in access control, nurse call, fire alarm, mass notification, and video surveillance	NA	NA	NA
1/11/2021	DPW Holdings	Universal Security Instruments	Designs, markets, and distributes safety and security products for use in homes and businesses	\$9.7	0.60x	NA
1/11/2021	Francisco Partners Management	Forcepoint	Provides software solutions to protect users, data, and networks against insider and outsider threats	\$1,100.0	1.67x	NA
1/13/2021	LogRhythm	MistNet.io	Develops a cloud-based multi-entity threat detection and response platform	NA	NA	NA
1/14/2021	Entrust Corporation	HyTrust	Cloud security firm, offers admin control, auditing, and data security for private and public clouds	NA	NA	NA
1/14/2021	Fedora Security	Intertech Ci	Offers video surveillance and analytics, life safety, and related security services	NA	NA	NA
1/15/2021	Allied Universal Security Services	SecurAmerica	Provides contract security services to clients in various industries in the United States	NA	NA	NA
1/15/2021	Washington Architectural Hardware Company	Watson Security Group	Offers physical security, lock hardware, and intrusion systems for commercial and residential applications	NA	NA	NA
1/27/2021	CertaSite	Great Lakes Fire and Safety Equipment	Installs and offers fire and safety protection services	NA	NA	NA
1/28/2021	Link11	DOSarrest Internet Security	Provides cloud-based protection solutions	NA	NA	NA
1/28/2021	Intero Integrity Services	Pipetel Technologies	Manufactures pipeline inspection robots and provides real time analytics and data to operators	NA	NA	NA

Source: S&P Capital IQ

Closed Date	Acquirer(s)	Target(s)	Target Description	EV (\$M)	EV /	
					Rev.	EBITDA
2/1/2021	Input Capital	Security Resource Group	Provides protective security and private investigation services to government and health care clients	\$13.8	NA	NA
2/2/2021	Sontiq	CyberScout	Provides identity management and data risk management solutions for businesses and consumers	NA	NA	NA
2/2/2021	Pulsar Global Solutions	Blueshield Security & Investigations	Offers private investigation services	NA	NA	NA
2/8/2021	Global Living Companies	Alarm Monitoring Assets of Gardener Associates	Installs and maintains business and home security systems, fire systems, intercoms, and cameras	NA	NA	NA
2/9/2021	Norland Capital	SureView Systems	Owns, develops, sells, and supports security-monitoring software	NA	NA	NA
2/10/2021	Corbett Technology Solutions	Security Solutions division of Electrical Controls & Maintenance	Comprises security solutions in the electronics field	NA	NA	NA
2/11/2021	Equifax	Kount	Develops fraud prevention solutions	\$640.0	NA	NA
2/23/2021	Continental Aktiengesellschaft	Recogni	Develops artificial intelligence-based cameras and processors for the real time identification of objects	NA	NA	NA

Source: S&P Capital IQ

Closed Date	Acquirer(s)	Target(s)	Target Description	EV (\$M)	EV /	
					Rev.	EBITDA
3/2/2021	IDERA	PreEmptive Solutions	Provides application analytics and protection solutions for desktop, cloud, Web, and mobile apps	NA	NA	NA
3/2/2021	Palo Alto Networks	BridgeCrew	Enables developers to codify cloud-security by automating deployment and ongoing management	\$200.0	NA	NA
3/2/2021	TPG Capital	Centrify Corporation	Develops unified identity management software for cloud, mobile, and data center platforms	NA	NA	NA
3/5/2021	Pye-Barker Fire & Safety	Fire Alarm Services	Offers fire protection, fire alarm installation and repair, and security monitoring and testing services	NA	NA	NA
3/8/2021(A)	Symphony Technology Group	Certain Assets of Enterprise Business of McAfee	Comprises device-to-cloud and enterprise cybersecurity solutions	\$4,000.0	3.10x	NA
3/9/2021	Sontiq	Breach Clarity	Develops AI based platform that analyzes publicly-reported data breaches	NA	NA	NA
3/10/2021	ADT	SAFE Electronics	Provides fire alarm and suppression systems, security alarms, and access control systems	NA	NA	NA
3/15/2021	Lookout	CipherCloud	Provides a security platform that integrates data protection, content control, monitoring / analysis	NA	NA	NA
3/16/2021	Sonatype	Muse Dev.	Develops an assurance platform that automatically analyzes the developer workflow for security bugs	NA	NA	NA
3/17/2021	Arcserve	StorageCraft Technology Corporation	Develops disk-based backup, data protection, and security solutions for servers, desktops, and laptops	NA	NA	NA
3/18/2021	QOMPLX	Hyperion Gray	Develops information security software	NA	NA	NA
3/18/2021	DrawDown Detection	Liberty Defense Holdings	Provides security solutions for concealed weapons detection in high volume foot traffic areas	NA	NA	NA
3/20/2021	Fortinet	ShieldX Networks	Develops network and cloud security software for data centers, cloud infrastructure, and applications	NA	NA	NA
3/30/2021	Logically	Cerdant	Develops VPN software solutions for multi-unit retail, education, and businesses	NA	NA	NA

Sources: S&P Capital IQ
(A) = announcement date

CAPITAL MARKETS DATA												
	Stock Price 3/31/21	Ent. Value	CY2021E			CY2022E			TEV /2021E		TEV/2022E	
			Revenue	EBTIDA	Margin	Revenue	EBITDA	Margin	Revenue	EBITDA	Revenue	EBITDA
Security Services												
Securitas	17.03	7,950.1	12,366.0	880.6	7.1%	12,898.0	958.2	7.4%	0.64x	9.03x	0.62x	8.30x
The Brink's Company	79.23	6,226.7	4,241.5	677.5	16.0%	4,506.2	760.8	16.9%	1.47x	9.19x	1.38x	8.18x
Prosegur	3.18	3,029.2	4,176.7	515.9	12.4%	4,499.9	594.4	13.2%	0.73x	5.87x	0.67x	5.10x
Loomis	30.45	2,715.7	2,201.3	447.4	20.3%	2,321.4	490.4	21.1%	1.23x	6.07x	1.17x	5.54x
Average	\$32.47	\$4,980.4	\$5,746.4	\$630.4	13.9%	\$6,056.4	\$701.0	14.7%	1.02x	7.54x	0.96x	6.78x
Security Solutions												
Honeywell International	217.07	159,212.4	34,261.5	8,565.8	25.0%	36,684.2	9,392.3	25.6%	4.65x	18.59x	4.34x	16.95x
Johnson Controls	59.67	51,496.0	23,540.2	3,560.9	15.1%	24,483.1	3,827.5	15.6%	2.19x	14.46x	2.10x	13.45x
Motorola Solutions	188.05	36,251.8	8,012.5	2,297.5	28.7%	8,509.2	2,482.0	29.2%	4.52x	15.78x	4.26x	14.61x
ADT	8.44	16,684.5	5,178.4	NA	NA	5,391.9	NA	NA	3.22x	NA	3.09x	NA
Allegion	125.62	12,444.1	2,724.6	633.1	23.2%	2,848.0	679.5	23.9%	4.57x	19.65x	4.37x	18.31x
Vivint Smart Home	14.32	5,485.7	1,404.8	621.3	44.2%	1,559.6	701.9	45.0%	3.90x	8.83x	3.52x	7.82x
Alarm.com Holdings	86.38	4,198.2	665.8	126.4	19.0%	719.4	146.4	20.3%	6.31x	33.22x	5.84x	28.68x
Napco Security Technologies	34.83	623.5	118.3	23.8	20.1%	135.0	33.0	24.4%	5.27x	26.18x	4.62x	18.92x
Arlo Technologies	6.28	328.9	400.8	(38.0)	-9.5%	457.4	(22.9)	-5.0%	0.82x	NA	0.72x	NA
Average	\$82.30	\$31,858.4	\$8,478.6	\$1,973.8	20.7%	\$8,976.4	\$2,155.0	22.4%	3.94x	19.53x	3.65x	16.96x

Source: S&P Capital IQ







CAPITAL MARKETS DATA												
	Stock Price 3/31/21	Ent. Value	CY2021E			CY2022E			TEV /2021E		TEV/2022E	
			Revenue	EBTIDA	Margin	Revenue	EBITDA	Margin	Revenue	EBITDA	Revenue	EBITDA
Cyber-Security												
Fortinet	184.42	28,311.5	3,056.1	880.6	28.8%	3,526.7	1,035.0	29.3%	9.26x	32.15x	8.03x	27.36x
Check Point	111.97	11,731.7	2,132.4	1,027.7	48.2%	2,196.8	1,058.5	48.2%	5.50x	11.42x	5.34x	11.08x
Proofpoint	125.79	7,300.0	1,199.5	204.5	17.1%	1,404.3	256.2	18.2%	6.09x	35.70x	5.20x	28.49x
SolarWinds	17.44	7,169.4	1,042.9	456.4	43.8%	1,137.9	525.8	NA	6.87x	15.71x	6.30x	13.63x
Varonis Systems	51.34	5,294.7	364.5	16.6	4.6%	443.1	42.8	9.7%	14.52x	NA	11.95x	NA
FireEye	19.57	4,753.2	1,004.4	151.8	15.1%	1,079.7	168.7	15.6%	4.73x	31.32x	4.40x	28.18x
Tenable	36.19	3,531.1	515.7	53.6	10.4%	613.0	74.7	12.2%	6.85x	NA	5.76x	47.30x
NetScout Systems	28.16	2,103.2	845.0	NA	NA	903.6	NA	NA	2.49x	NA	2.33x	NA
SecureWorks	13.38	919.9	540.8	NA	NA	562.2	5.1	0.9%	1.70x	NA	1.64x	NA
Average	\$65.36	\$7,901.6	\$1,189.0	\$398.7	24.0%	\$1,318.6	\$395.9	19.2%	6.45x	25.26x	5.66x	26.01x
Low	\$3.18	\$328.9	\$118.3	(\$38.0)	-9.5%	\$135.0	(\$22.9)	-5.0%	0.64x	5.87x	0.62x	5.10x
Mean	\$66.31	\$17,171.0	\$4,999.7	\$1,110.7	20.5%	\$5,312.8	\$1,160.5	19.6%	4.43x	18.32x	3.98x	17.76x
Median	\$35.51	\$5,856.2	\$1,768.6	\$515.9	19.0%	\$1,878.2	\$560.1	18.2%	4.55x	15.74x	4.30x	14.61x
High	\$217.07	\$159,212.4	\$34,261.5	\$8,565.8	48.2%	\$36,684.2	\$9,392.3	48.2%	14.52x	35.70x	11.95x	47.30x

Source: S&P Capital IQ

Critical Infrastructure Overview

- Through the initial months of his administration, President Biden has made it clear that he plans to **increase focus on renewable energy spending and curb oil consumption**. In his first day in office, President Biden revoked the Keystone XL Pipeline's permit, a clear sign that the oil industry will not receive the same level of support that it did under the Trump Administration. At the same time, President Biden has set the goal of 100% renewable energy in the power sector by 2035. This endeavor will require massive investment with WIRES estimating that it will cost \$30.0B - \$90.0B to build the necessary transmission infrastructure alone.
- On February 15th, **Texas was hit hard by an unprecedented winter storm** which caused multi-day blackouts across the state. The blackouts occurred in large part because Texas' energy infrastructure was not adequately suited for such a cold snap. The event illustrates the pressing need for additional investment in Texas' electrical infrastructure and will likely cause other states to evaluate their own infrastructure. In the wake of the incident, there has been substantial debate on who is to blame for the failures in Texas, and there does not seem to be any clear resolution at this time.

ASCE AMERICA'S INFRASTRUCTURE REPORT CARD 2021

Overall Infrastructure 	C-	Energy 	C-
Drinking Water 	C-	Transit 	D-
Wastewater 	D+	Inland Waterways 	D+

- The Biden administration is in the process of rolling out a two-part, **\$3.0T jobs and infrastructure program**, with the first part focusing on infrastructure. Although many Republicans oppose the program because they believe it includes excessive spending on non-infrastructure items, there has been widespread expressed support on both sides of the aisle for investing in America's infrastructure, especially in the nation's aging drinking water and wastewater infrastructure. On March 24th, the Senate Committee on Environment and Public Works unanimously approved the Drinking Water and Wastewater Infrastructure Act of 2021, which authorizes \$35.0B for water resource development projects.

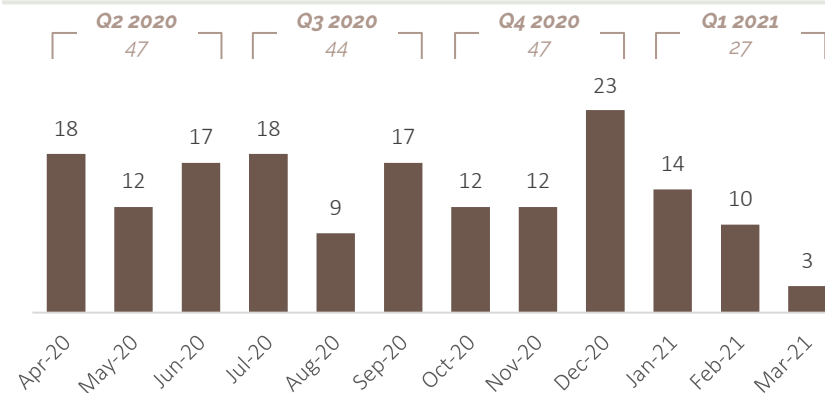
Sources: WSJ, Engineering News-Record, AP, American Society of Civil Engineers, The Bond Buyer

Notable Precedent Transactions

M&A activity in the critical infrastructure market slightly fell in the first quarter of 2021. The strong 2020 performance has not quite continued in 2021, but several mega deals have been announced this quarter including the Kansas City Southern / Canadian Pacific acquisition worth \$29.0B.

Additionally, there are several major hostile takeovers going on in the market including Veolia's \$13.1B bid for the remaining shares of Suez as well as Brookfield Infrastructure Partners' \$5.7B bid for Inter Pipeline. While deal activity is down this quarter, there is a great amount of large-scale disruption and turnover occurring throughout the market.

TRANSACTIONS BY MONTH



Key Statistics

Date: 2/16/2021

EV: ND

EBITDA Multiple: ND

Subsector: Water



Key Statistics

Date: 2/16/2021 (A)

EV: \$295M

EBITDA Multiple: 10.2x

Subsector: Environmental Services



Key Statistics

Date: 2/22/2021 (A)

EV: \$2.8B

EBITDA Multiple: 10.2x

Subsector: Infrastructure



Key Statistics

Date: 3/18/2021 (A)

EV: \$20.0B

EBITDA Multiple: 11.0x

Subsector: Power



Key Statistics

Date: 2/16/2021 (A)

EV: \$1.2B

EBITDA Multiple: 8.9x

Subsector: Infrastructure



Key Statistics

Date: 3/21/2021

EV: \$29.0B

EBITDA Multiple: 20.4x

Subsector: Transit

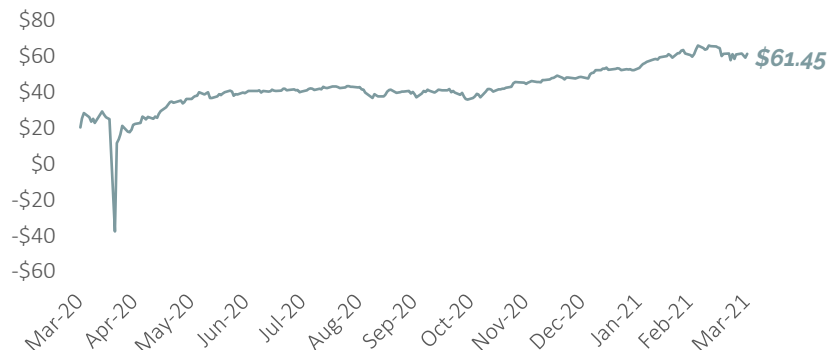
Sources: S&P Capital IQ, Engineering News-Rec
(A) = announcement date

Maritime Transport & Facilities

- On March 23rd, the 1,312 ft. **Ever Given**, one of the largest cargo ships in the world, suddenly became grounded **and blocked traffic through the Suez Canal for 6 days**. The Suez Canal is a major trade route which accounts for 13% of global maritime trade and 10% of global seaborne oil shipments — the incident immediately caused increasing oil prices to rise at an even greater rate. The blockage caused many ships to detour down the coast of Africa and around the Cape of Good Hope, adding to shipping costs. Although the Ever Given was finally freed on March 29th and ships were cleared on April 3rd to resume going through the Suez Canal, it took days to clear the backlog and the increased traffic may overwhelm European ports. The fallout from the Ever Given incident is expected to plague the global maritime industry for weeks.
- U.S. containerized imports continue to surge** due in part to increased e-commerce as a result of the pandemic, with U.S. containerized imports increasing 23% YoY in February. U.S. ports are already overwhelmed due to increased shipping and the problem is only expected to get worse as the economy continues to recover and individuals receive additional stimulus checks.

Sources: WSJ, Hellenic Shipping News

CRUDE OIL PRICES



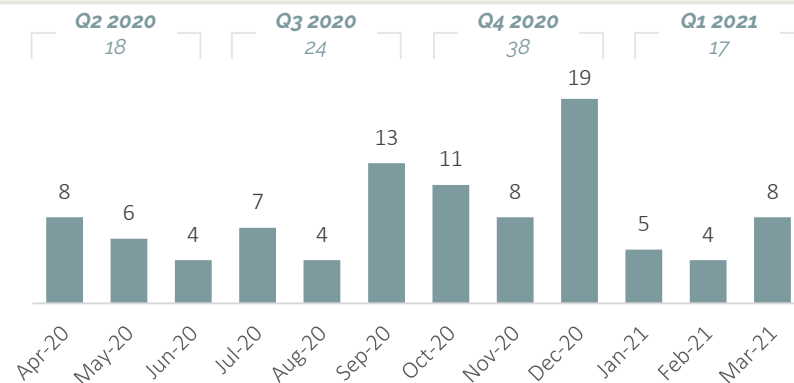
- Oil prices have surged in 2021, **reaching \$60 a barrel** on February 7th for the first time since the onset of the pandemic. Due to decreases in excess oil supply, tanker earnings have fallen substantially, and fuel prices have increased — bunker costs were 50% above the 2020 average at the end of February, according to Hellenic Shipping News. Oil prices have been rising as a result of increasing travel and OPEC production cuts. The Biden Administration has not taken any actions against OPEC in relation to their cuts and has only issued limited statements stating that they “are busy on other fronts, like fighting the pandemic”. This is a stark contrast from the Trump Administration which was often very critical of OPEC’s actions. Despite surging oil prices, mounting concerns over the speed of economic recovery and countries, particularly those in Europe, reinstituting lockdowns could potentially hamper prices in the coming months.

Notable Precedent Transactions

In Q1 2021, several large, publicly traded companies including LGF Höegh and GasLog announced they are being taken private, illustrating the buying power of private equity firms and how some maritime companies are questioning the benefits of being public. Consolidation continues to occur as the pandemic has shifted strategies amongst firms with buying power and capacity.

SM Investments Corporation, which has substantial interests in retail, will acquire the remaining shares of 2GO Group to increase its exposure to e-commerce highlighting the correlation between maritime logistics and e-commerce.

TRANSACTIONS BY MONTH




San Diego Shipyards

acquired by



Titan Acquisition Holdings

Key Statistics

Date: 2/11/2021

EV: ND

EBITDA Multiple: ND

Subsector: Ports



Golar LNG

acquired by



New Fortress Energy

Key Statistics

Date: 1/13/21 (A)

EV: \$1.7B

EBITDA Multiple: 8.4x

Subsector: Petro. Shipping



GASLOG

acquired by



BlackRock


Key Statistics

Date: 2/22/21 (A)

EV: \$5.2B

EBITDA Multiple: 11.3x

Subsector: Petro. Shipping



Höegh LNG Partners LP

acquired by



LGF Höegh & Co

Morgan Stanley Infrastructure Partners

Key Statistics

Date: 3/8/2021 (A)

EV: \$2.1B

EBITDA Multiple: 9.5x

Subsector: Petro. Shipping



NileDutch

THE AFRICA CONNECTION

acquired by



Hapag-Lloyd

Key Statistics

Date: 3/17/21 (A)

EV: ND

EBITDA Multiple: ND

Subsector: Bulk Shipping



2GO group inc.

acquired by



SM INVESTMENTS CORPORATION

Key Statistics

Date: 3/19/21 (A)

EV: \$550.0M

EBITDA Multiple: ND

Subsector: Logistics

Sources: S&P Capital IQ, Hellenic Shipping News
(A) = announcement date

Top 10 Unrestricted Federal Opportunities¹

Agency	Program Name	RFP Date	Award Date	Estimated Value
Defense	TRICARE Managed Care Support Services (T-5)	4/2021	11/2022	\$57.2B
HHS	Chief Information Officer Solutions and Partners 4 (CIO-SP4)	4/2020	2/2022	\$40.0B
Air Force	Training System Acquisition IV (TSA IV)	4/2021	11/2022	\$32.8B
Energy	Management and Operations of the Y12 National Security Complex and Pantex Plant (Y-12 PANTEX M&O)	11/2020	5/2021	\$28.0B
Energy	Savannah River Site Integrated Mission Completion Contract (SRS IMCC)	10/2020	6/2021	\$21.0B
GSA	Federal Strategic Sourcing Initiative for Building Maintenance and Operations (FSSI BMO FO)	9/2021	4/2022	\$20.3B
Air Force	ICBM Integration Support Contract (ISC 2) (FISAC II)	11/2020	12/2021	\$12.0B
Defense	Ground-based Midcourse Defense Development Operations and Sustainment and Production (GMD) (DOSP)	5/2021	6/2021	\$11.8B
Defense	DISA Defense Enclave Services	12/2020	12/2021	\$11.7B
Air Force	Mission Partner Command and Control and Intelligence Information Sharing Capabilities (C2)	10/2021	8/2022	\$10.0B

Sources: Deltek

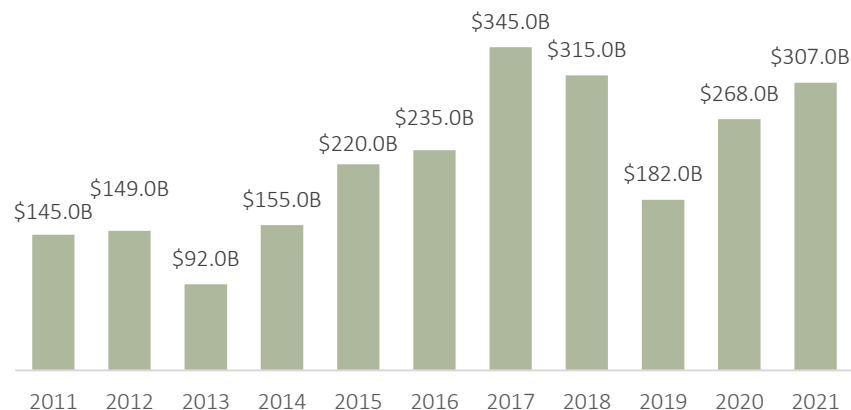
1. RFP and Award dates may reflect expectations

Relevant Commentary

The total value of the top 20 Federal opportunities in 2021 is expected to increase ~15% YoY. Three top opportunities constitute a majority of this increase – T-5, CIO-SP4, and TSA IV.

2021 top 20 unrestricted opportunities total contract value is more than \$300B, consisting of prime contract opportunities from a variety of agencies and industry segments. In the first half of 2020, Defense and Civilian contracting were both up 12% vs. the same period in the prior year – COVID-19 spending accounted for over half of the increase from 2019 from 2020.

TOTAL VALUE OF TOP 20 FEDERAL OPPORTUNITIES



TRICARE Managed Support Services (T-5)

Agency: Defense **Value:** \$57.2B
Award Date: 11/2022 **Type:** F&O

The Defense Health Agency (DHA) is developing the next generation of TRICARE managed care support contracts, which are the vehicles through which the DHA delivers the TRICARE program (furnishing of medical care and health benefits). There will be two awards (one for Eastern region and one for Western region). The new contracts include Military Treatment Facilities (MTF), which are continuing to transition over to the DHA. PoP will consist of a base year scheduled to begin January 1, 2023, followed by 8 one-year options.

CIO-SP4

Agency: HHS **Value:** \$40.0B
Award Date: 2/2022 **Type:** F&O / SB

The Department of Health and Human Services' NIH has a continuing requirement for information technology (IT) integration and outsourcing support services through a combination of the CIO-SP program. CIO-SP is a Category Management Best in Class vehicle which is used by many different agencies across the federal government. CIO-SP4 will combine to offer both unrestricted and restricted competition under one vehicle, which doubles the ceiling value to \$40.0B. NITAAC anticipates 75-125 unrestricted awards and 200-300 small business awards.

TSA IV

Agency: Air Force **Value:** \$32.8B
Award Date: 11/2022 **Type:** F&O / SB

This performance-based acquisition of training systems encompasses analysis, design, development, production, installation, integration, test, database generation, and sustainment tasks in support of Air Force Life Cycle Management Center's Air Combat Training Systems Branch. The estimated award value includes funding for the 64 current programs and a projected 25 potential programs. 25 contracts were awarded – 13 to Small Businesses and 12 to Large Businesses.

Six Panel Discussions

Track 1

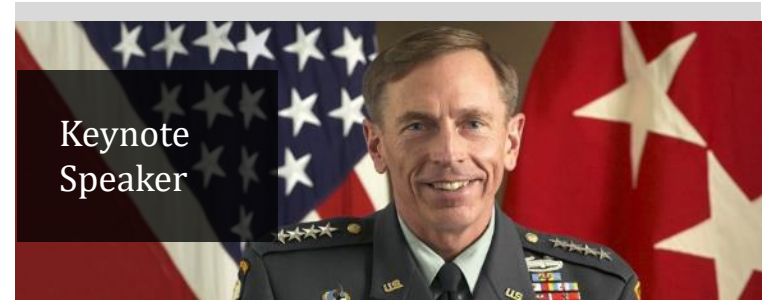
- 10 am** Executive Panel: Leading In Tumultuous Times
- 11 am** Private Equity Panel: How Public Health, Political & Market Disruptions Of 2020 & 2021 Have Influenced Your Investment Thesis
- 12 pm** In The Arena: Lessons Learned Growing Successful Defense, Government, Intel. & Security Companies

Track 2

- 10 am** Data Evolution & Physical Security: Transformative Opportunities and Market Trends
- 11 am** Lessons Learned From Texas: Investment Priorities & Opportunities In Critical Infrastructure
- 12 pm** SolarWinds Six Months Later: What Industry Has Learned & The Impact On Cyber Security Investment Priorities

Executive Networking

Five, 25-minute exclusive networking sessions pairing McLean Group valuation clients with industry and government leaders



General David H. Petraeus

Former Director of The CIA
Partner, KKR & Co.

About This Event:

The McLean Group is pleased to announce the 2021 TMG Spring M&A and Valuation Summit on April 22, 2021. Our goal is to provide a forum for discussion relevant to the C-Suite executives in the Defense, Government & Intelligence (DGI), Security, and Critical Infrastructure markets.

The conference will include a morning keynote presentation followed by six panel discussions across two market tracts. The afternoon session will consist of a “fireside chat” format where we will selectively pair conference attendees with McLean Group clients to network.

REGISTRATION WEBSITE

www.mcleanllc.com/2021register



McKinsey & Company

THE CARLYLE GROUP



Executive Panel: Leading in Tumultuous Times

10:00 AM

Private Equity Panel: Handling Disruptions of 2020 / 2021 from an Investment Standpoint

11:00 AM

In the Arena Panel: Lessons Learned Growing Successful Defense, Gov't, Intel., Security Companies

12:00 PM

Data Evolution / Physical Security Panel: Transformative Opps. & Market Trends

10:00 AM

Critical Infrastructure Panel: Lessons Learned from Texas

11:00 AM

SolarWinds Panel: 6 Months Later, What the Industry Has Learned / Rise of Cybersecurity

12:00 PM



Jeffrey Chapman
Babel Street



David Dacquino
Serco



Amy Gilliland
General Dynamics



Sumeet Shrivastava
Array



Frank Finelli
Carlyle



Jason Rigoli
Enlightenment Capital



Jeff Weber
DC Capital



David Wodlinger
Arlington Capital



Ryan Frederic
Applied Defense Solutions



Alexander Granados
Prescient Edge



Andrew Knaggs
PACEM Solutions



Elma Levy
Dovel



Mike Appelbaum
Immersive Wisdom



Peter Dordal
Garda World Federal



Pierre Racz
Genetec



Brian Harrell
Avangrid



Chad Wolf
FRM Sec. Homeland Security



Ron Gula
FRM Tenable



Rick Howard
FRM Palo Alto Networks



David Weinstein
McKinsey



Min Kyriannis
EMD / JMK