C4ISR Quarterly Market Update
RAYMOND JAMES OVERVIEW

Raymond James is a full service investment bank with more than 400 industry focused professionals across the U.S., Canada, and Europe. The Defense & Government Services group at Raymond James possesses significant transaction experience and is driven by a client-first, entrepreneurial focused spirit. The team specializes in mergers and acquisitions, capital markets transactions, recapitalization and restructuring advisory, and private placements. Our team of seasoned professionals brings a deep level of industry expertise and a comprehensive range of strategic and financial advisory services.

REPRESENTATIVE RAYMOND JAMES TRANSACTIONS

- PIXIA
  - Has been acquired by CUBIC
- ADVANTOR
  - Has been acquired by VECTRUS
- sparton
  - Has been acquired by cerberus
- CUBIC
  - Has been acquired by $227,700,000
  - Follow-On Offering Co-Manager
- POLARIS
  - Has been acquired by AC
- BLACK BOX
  - Has been acquired by PARSONS
- The Federal Government IT Solutions Business of
  - Has been acquired by
- The Global Defense Services Business of
  - Has been acquired by
- QRC
  - Has been acquired by BC CAPITAL PARTNERS
- NAL
  - Has been acquired by
- GATR
  - Has been acquired by
- MERCURY
  - A wholly owned subsidiary of
  - Has been acquired by
- iNovex
  - Has been acquired by

EQUITY RESEARCH COVERAGE

DEFENSE & GOV'T TECH & SERVICES

- ARMA
- APTIV
- AXON
- AV
- CACI
- CUBIC
- FLIR SYSTEMS
- FORTIVE
- L3HARRIS
- IFS
- MAXIMUS
- NIC
- ORBCOMM
- SBA
- SHENTEL
- U.S. Cellular
- ViaSat
- Intelsat
- Iridium
- KVH

PROPRIETARY CONFERENCES

- 2020 Raymond James Defense & Government Services Conference
  - September 2020
  - Washington, D.C.
- MASTERY OF THE DEAL
  - November 19, 2020
  - Tysons, VA
- RAYMOND JAMES
  - Industry Luncheon
  - May 2021

SATCOM
C4ISR INDUSTRY UPDATE

M&A ACTIVITY SUMMARY

- Q2 2020 M&A activity was slowed by the broader market’s reaction to COVID-19
- Despite initial concerns over market participation, a healthy number of large, mid-sized, and private-equity backed strategics made critical investments during Q2 in areas such as space, intelligence, and communications
- Both Arlington Capital Partners and NewSpring Holdings supported their portfolio companies AEgis Technologies and E3 / Sentinel in their respective acquisitions of Excivity and Lucid Perspectives

RECENT C4ISR TRANSACTION ACTIVITY (1)

INDUSTRY NEWS

- In June 2020, the Pentagon released the Defense Space Strategy, outlining the U.S. military’s latest space initiatives; investments will be made in the areas of directed energy, space domain awareness, and electronic warfare
- A new initiative known as the Joint All Domain Command and Control (JDAC2) is gaining traction within the DoD, as officials have formally created cross-functional teams to oversee this effort of consolidating intelligence and communications to a central network in order to maintain information advantages on the battlefield

RECENT, REPRESENTATIVE M&A TRANSACTIONS

(1) Totals include all closed transactions reported by DACIS / Infobase as of 6/30/2020
**SPOTLIGHT: THE INCREASED INTEREST IN SPACE-ORIENTED ASSETS**

*DoD spending on space technology is poised to increase significantly in the near-term. In response, private sector spending has begun to focus resources on innovative, high-growth companies in an attempt to consolidate technology.*

**INCREASED DOD SPACE BUDGET**

**DRIVING INVESTMENT IN R&D**

- The DoD has requested ~$18.0 billion for GFY 2021 to support all space activities
- Specifically, the DoD is focusing spending on Space Force activities, with $15.4 billion in the GFY 2021 budget request allotted to the Space Force
- Of the $15.4 billion requested, research, development, testing, and evaluation (R, D, T, and E) composes over half, with $10.3 billion set aside for that purpose

**IN FOCUS: AE INDUSTRIAL FORMS REDWIRE**

**COMMENTARY**

- In June 2020, AE Industrial Partners created Redwire through the acquisitions of Adcole Maryland Aerospace and Deep Space Systems
- After the formation and rebranding, Redwire acquired Made in Space, a smaller developer of in-space manufacturing companies

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**DOD SPACE BUDGET**

<table>
<thead>
<tr>
<th>($ in billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>GFY20</td>
</tr>
<tr>
<td>GFY21</td>
</tr>
</tbody>
</table>

+28%

**U.S. SPACE FORCE GFY21 BUDGET REQUEST**

- Research, Development, Testing, and Evaluation: 17%
- Space Operations, Troop Training, and Maintenance: 15%
- Satellites, Ground Equipment, and Launch Services: 15%
- War-Related Satellite Services: 67%

**SPACE M&A ACTIVITY**

<table>
<thead>
<tr>
<th>Year</th>
<th>Transactions</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>63</td>
</tr>
<tr>
<td>2018</td>
<td>91</td>
</tr>
<tr>
<td>2019</td>
<td>99</td>
</tr>
<tr>
<td>2020 YTD</td>
<td>26</td>
</tr>
</tbody>
</table>

RAYMOND JAMES®

“GFY” represents Government Fiscal Year
Source: U.S. Department of Defense Fiscal Year 2021 Budget Request Overview, publicly available information, and Raymond James research
In Q1 2020, the COVID-19 outbreak pushed all major indices into bear market territory, but the economy at-large rebounded in Q2.

Despite the overall rise in market performance, Defense Technology and Multi-Platform Contractor firms are still down compared to the same point-in-time last year.
<table>
<thead>
<tr>
<th>Company Name</th>
<th>Market Data</th>
<th>Financial Performance LTM</th>
<th>Valuation Multiples</th>
<th>Valuation Multiples</th>
<th>Valuation Multiples</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Total Sales</td>
<td>EBITDA</td>
<td>Margin</td>
<td>Debt/EBITDA</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>C4ISR Technology</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AeroVironment, Inc.</td>
<td>NasdaqGS:AVAV</td>
<td>$79.63</td>
<td>98.6%</td>
<td>$1,900</td>
<td>$1,608</td>
</tr>
<tr>
<td>Cubic Corporation</td>
<td>NYSE:CUB</td>
<td>$48.03</td>
<td>63.9%</td>
<td>$1,503</td>
<td>$2,394</td>
</tr>
<tr>
<td>FLIR Systems, Inc.</td>
<td>NasdaqGS:FLIR</td>
<td>$40.57</td>
<td>68.3%</td>
<td>$5,308</td>
<td>$5,876</td>
</tr>
<tr>
<td>Kratos Defense &amp; Security Solutions, Inc.</td>
<td>NasdaqGS:KTOS</td>
<td>$15.63</td>
<td>62.3%</td>
<td>$1,915</td>
<td>$2,150</td>
</tr>
<tr>
<td>Mercury Systems, Inc.</td>
<td>NasdaqGS:MRCY</td>
<td>$78.66</td>
<td>81.7%</td>
<td>$4,373</td>
<td>$4,240</td>
</tr>
<tr>
<td>Teledyne Technologies Incorporated</td>
<td>NYSE:TDY</td>
<td>$310.95</td>
<td>77.9%</td>
<td>$11,401</td>
<td>$12,157</td>
</tr>
<tr>
<td>Ultra Electronics Holdings plc</td>
<td>LSE:ULE</td>
<td>$24.74</td>
<td>85.2%</td>
<td>$1,753</td>
<td>$1,945</td>
</tr>
<tr>
<td>Viasat, Inc.</td>
<td>NasdaqGS:VSAT</td>
<td>$38.37</td>
<td>45.3%</td>
<td>$2,385</td>
<td>$2,483</td>
</tr>
<tr>
<td><strong>Median:</strong></td>
<td></td>
<td>$2,150</td>
<td></td>
<td>$3,317</td>
<td>$1,299</td>
</tr>
<tr>
<td><strong>Average:</strong></td>
<td></td>
<td>$3,817</td>
<td></td>
<td>$4,332</td>
<td>$1,482</td>
</tr>
<tr>
<td><strong>C4ISR Services</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Booz Allen Hamilton Holding Corporation</td>
<td>NYSE:BAH</td>
<td>$77.79</td>
<td>94.6%</td>
<td>$10,748</td>
<td>$12,568</td>
</tr>
<tr>
<td>CACI International Inc.</td>
<td>NYSE:CACI</td>
<td>$216.88</td>
<td>75.2%</td>
<td>$5,441</td>
<td>$7,301</td>
</tr>
<tr>
<td>Jacobs Engineering Group Inc.</td>
<td>NYSE:J</td>
<td>$84.80</td>
<td>81.5%</td>
<td>$11,033</td>
<td>$13,295</td>
</tr>
<tr>
<td>Leidos Holdings, Inc.</td>
<td>NYSE:LDOS</td>
<td>$93.67</td>
<td>74.4%</td>
<td>$13,305</td>
<td>$17,722</td>
</tr>
<tr>
<td>ManTech International Corporation</td>
<td>NasdaqGS:MANF</td>
<td>$68.49</td>
<td>72.9%</td>
<td>$2,757</td>
<td>$2,911</td>
</tr>
<tr>
<td>Parsons Corporation</td>
<td>NYSE:PSN</td>
<td>$36.24</td>
<td>79.8%</td>
<td>$3,648</td>
<td>$4,131</td>
</tr>
<tr>
<td>Science Applications International Corporation</td>
<td>NYSE:SAIC</td>
<td>$77.68</td>
<td>80.2%</td>
<td>$4,515</td>
<td>$7,547</td>
</tr>
<tr>
<td><strong>Median:</strong></td>
<td></td>
<td>$5,441</td>
<td></td>
<td>$7,547</td>
<td>$5,517</td>
</tr>
<tr>
<td><strong>Average:</strong></td>
<td></td>
<td>$7,368</td>
<td></td>
<td>$9,354</td>
<td>$7,242</td>
</tr>
<tr>
<td><strong>Multi-Platform Contractors</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BAE Systems plc</td>
<td>LSE:BA</td>
<td>$5.99</td>
<td>71.8%</td>
<td>$19,247</td>
<td>$22,126</td>
</tr>
<tr>
<td>The Boeing Company</td>
<td>NYSE:BA</td>
<td>$183.30</td>
<td>46.9%</td>
<td>$103,441</td>
<td>$127,146</td>
</tr>
<tr>
<td>General Dynamics Corporation</td>
<td>NYSE:GD</td>
<td>$149.46</td>
<td>77.1%</td>
<td>$42,776</td>
<td>$56,858</td>
</tr>
<tr>
<td>Honeywell International Inc.</td>
<td>NYSE:HOI</td>
<td>$144.59</td>
<td>78.6%</td>
<td>$101,480</td>
<td>$109,773</td>
</tr>
<tr>
<td>L3Harris Technologies, Inc.</td>
<td>NYSE:LHX</td>
<td>$169.67</td>
<td>73.5%</td>
<td>$36,627</td>
<td>$44,014</td>
</tr>
<tr>
<td>Lockheed Martin Corporation</td>
<td>NYSE:LMT</td>
<td>$364.92</td>
<td>82.5%</td>
<td>$102,336</td>
<td>$113,078</td>
</tr>
<tr>
<td>Northrop Grumman Corporation</td>
<td>NYSE:NOC</td>
<td>$307.44</td>
<td>79.9%</td>
<td>$51,251</td>
<td>$60,068</td>
</tr>
<tr>
<td>Raytheon Technologies Corporation</td>
<td>NYSE:RTX</td>
<td>$61.62</td>
<td>38.9%</td>
<td>$92,946</td>
<td>$136,009</td>
</tr>
<tr>
<td><strong>Median:</strong></td>
<td></td>
<td>$72,098</td>
<td></td>
<td>$87,930</td>
<td>$36,288</td>
</tr>
<tr>
<td><strong>Average:</strong></td>
<td></td>
<td>$68,763</td>
<td></td>
<td>$84,386</td>
<td>$40,963</td>
</tr>
</tbody>
</table>

Source: Capital IQ; Data as of 6/30/2020

Financial projections are sourced from Capital IQ consensus estimates; foreign traded companies are listed in U.S. dollars at 12/31/2019 spot exchange rate; TEV / EBITDA valuation multiples less than 0.0x or greater than 30.0x and TEV / Total Sales multiples less than 0.0x or greater than 5.0x are considered not material ("N.M.")
C4ISR TECHNOLOGY BENCHMARKING

REVENUE GROWTH: CY20E & CY21P

- CY20E Revenue Growth
- CY21P Revenue Growth

LTM EBITDA MARGIN

- CY20E Revenue Growth
- CY21P Revenue Growth

CAPITAL STRUCTURE

- Equity Funding
- Debt Funding

TOTAL DEBT TO LTM EBITDA RATIO

Sources: Raymond James Research, Capital IQ; Data as of 6/30/2020
C4ISR SERVICES BENCHMARKING

REVENUE GROWTH: CY20E & CY21P

14% 14% 13% 9% 9% 8% 2%

CY20E Revenue Growth | CY21P Revenue Growth

LTM EBITDA MARGIN

10% 10% 9% 9% 8% 8% 8%

TOTAL DEBT TO LTM EBITDA RATIO

6.5x 4.1x 4.0x 3.7x 3.4x 1.8x 1.2x

CAPITAL STRUCTURE

92% 86% 81% 74% 73% 73% 58%

20% 40% 60% 80% 100%

Equity Funding | Debt Funding

Sources: Raymond James Research, Capital IQ; Data as of 6/30/2020
MULTI-PLATFORM CONTRACTORS BENCHMARKING

REVENUE GROWTH: CY20E & CY21P (1)

- CY20E Revenue Growth
- CY21P Revenue Growth

LTM EBITDA MARGIN (1)

- 24% (Honeywell)
- 19% (L3Harris)
- 15% (BAE Systems)
- 14% (GD)
- 12% (Northrop Grumman)
- 11% (Raytheon)

TOTAL DEBT TO LTM EBITDA RATIO (2)

- 4.4x (BA)
- 3.6x (RTX)
- 2.4x (L3Harris)
- 2.0x (GD)
- 1.9x (Northrop Grumman)
- 1.4x (Raytheon)

Sources: Raymond James Research, Capital IQ; Data as of 6/30/2020
(1) RTX excluded due to insufficient financial data
(2) BA, RTX excluded due to non-material financial data
### RECENT C4ISR TRANSACTIONS

**July 2020**

**QuantiTech**

Has been acquired by **SAGEWIND CAPITAL**

**Capabilities**
- Cybersecurity
- Hypersonics
- Program Management

**Customers**
- United States Air Force
- United States Navy
- United States Army
- United States Department of Defense

**buyer perspective**

Steven Lefkowitz, Managing Partner at Sagewind, stated: “QuantiTech has highly educated and talented personnel who are passionate about missions critical to our national security and we look forward to supporting them as they execute on their growth strategies.”

**July 2020**

**AQYR**

Has been acquired by **arga**

**Capabilities**
- Communication Solutions
- Portable Terminals
- Satellite Communications
- Signal Reception Technology

**Customers**
- United States Air Force
- United States Army
- United States Navy
- United States Department of Defense

**buyer perspective**

Logan Thiran, CEO of ARA, stated: “Our antenna systems portfolio in the SATCOM market is now expanded to include SATCOM terminals, where AQYR brings a unique capability with a single button push and auto acquisition of signal in an optimal ground terminal package for customers.”

**June 2020**

The ASC Signal Division of **API**

Has been acquired by **KRAKOS DEFENSE & SECURITY SOLUTIONS**

**Capabilities**
- Antenna Technology
- Earth Sensing & Observation
- Satellite Communications
- Telemetry & Tracking

**Customers**
- United States Air Force
- United States Army
- United States Navy
- United States Department of Defense

**buyer perspective**

Phil Carrai, President of Kratos’ Space, Training, and Cybersecurity division stated: “The addition of ASC provides an important building block for Kratos’ continued growth as the industry’s broadest supplier of advanced products across the ground segment.”

Sources: Capital IQ, Deltek GovWin, DACIS, and publicly available information
N.D. (“Not Disclosed”)
## RECENT C4ISR TRANSACTIONS

### May 2020

**CAPABILITIES**
- Engineering & Technical Services
- Program Management
- Testing and Simulation

**CUSTOMERS**
- [Image of logos]

**BUYER PERSPECTIVE**
Mac Curtis, CEO of Perspecta, stated: “This acquisition will further enhance Perspecta Labs’ capability to offer robust, comprehensive, full-lifecycle EW and cyber solutions across multiple domains, including manned and unmanned air, ground, and missiles.”

### May 2020

**CAPABILITIES**
- Software-defined Radios
- C4ISR Systems
- Indigenous Encryption

**CUSTOMERS**
- [Image of logos]

**BUYER PERSPECTIVE**
Charles Woodburn, CEO of BAE Systems stated: “[The acquisition] adds a high quality, technology focused business to our Electronic Systems sector… and will further enhance the Group’s opportunity for continued growth in Electronic Systems.”

### May 2020

**CAPABILITIES**
- Mesh Networks
- Robotics Systems
- Orbital Debris Mitigation
- Satellite Components
- Satellite Radios

**CUSTOMERS**
- [Image of logos]

**BUYER PERSPECTIVE**
Rob Andzik, President of AMERGINT, stated: “[The acquisition of TUI] enables us to provide the space and defense sectors with the next generation of solutions to manage the capture, processing, transport, and exploitation of vital mission data for communication and data links.”

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Sources: Capital IQ, Deltek GovWin, DACIS, and publicly available information
N.D. ("Not Disclosed")
## RECENTLY AWARDED C4ISR CONTRACTS

<table>
<thead>
<tr>
<th>Date</th>
<th>Customer(s)</th>
<th>Winning Bidder(s)</th>
<th>Amount ($MM)</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>5/1/2020</td>
<td>U.S. Army CCDC Aviation and Missile Center; U.S. General Services Administration</td>
<td>Science Applications International Corporation</td>
<td>$2,900.1</td>
<td>GSA Southeast Sunbelt Region (4) Awards OASIS Pool 4 Task Order to SAIC for Software, Simulation, Systems Engineering and Integration Directorate (S3I) Software Life Cycle Development (SLCD)</td>
</tr>
<tr>
<td>6/26/2020</td>
<td>GSA Federal Systems Integration and Management Center (FEDSIM); U.S. Army Forces Command (FORSCOM)</td>
<td>Booz Allen Hamilton, Inc.</td>
<td>$937.0</td>
<td>GSA FEDSIM Awards OASIS Pool 1 Task Order to Booz Allen Hamilton for FORSCOM Global Threat Mitigation Program (GTMP) Support Services</td>
</tr>
<tr>
<td>5/18/2020</td>
<td>U.S. Dept. of Defense Joint Artificial Intelligence Center (JAIC)</td>
<td>Booz Allen Hamilton, Inc.</td>
<td>$800.0</td>
<td>GSA FEDSIM Awards Alliant 2 (A2) Task Order to Booz Allen Hamilton for Joint Artificial Intelligence Center (JAIC) Artificial Intelligence (AI) Products and Services</td>
</tr>
<tr>
<td>4/1/2020</td>
<td>U.S. General Services Administration, Federal Systems Integration and Management Center (FEDSIM); U.S. Special Operation Command Pacific (SOCPCAC)</td>
<td>Smartronix, LLC</td>
<td>$673.5</td>
<td>GSA FEDSIM Awards OASIS Pool 3 Task Order to Smartonix for Command, Control, Communications, Computer, Combat Systems, Intelligence, Surveillance, and Reconnaissance (C3ISR) Capabilities</td>
</tr>
<tr>
<td>4/30/2020</td>
<td>U.S. Army PEO Command, Control, and Communications-Tactical (PEO C3T)</td>
<td>General Dynamics Mission Systems, Inc.</td>
<td>$400.0</td>
<td>DLA Land at Aberdeen Contracts With General Dynamics for Warfighter Information Network-Tactical Increment 2 (WIN-T Inc. 2) Spare Parts</td>
</tr>
</tbody>
</table>
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