Government IT Quarterly Update

Sam Maness
Managing Director
+1.703.657.4646
Sam.Maness@RaymondJames.com

Ellis Chaplin
Director
+1.703.657.4620
Ellis.Chaplin@RaymondJames.com

Andy McEnroe
Director
+1.703.657.4630
Andy.McEnroe@RaymondJames.com

Natalie Warther
Associate
+1.703.657.4622
Natalie.Warther@RaymondJames.com
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

- **merlin**
  - Has received financing from cerberus

- **The Federal Government IT Solutions Business of BLACK BOX**
  - Has been acquired by ACAP

- **POLARIS**
  - Has been acquired by PARSONS

- **The Global Defense Services Business of CUBIC**
  - Has been acquired by VALIANT

- **STG**
  - Has been acquired by SOSi

- **Xebec**
  - Has been acquired by ACAP

- **PHASEONE**
  - A portfolio company of Booz Allen Hamilton

- **Schafer**
  - A portfolio company of Metalmark

- **ARMA**
  - Has acquired General Dynamics

- **AQUILENT**

**PROPRIETARY CONFERENCES & EVENTS**

- **2020 Raymond James Defense & Government Services Conference**
  - September 10, 2020
  - Washington, D.C.

- **MASTERY OF THE DEAL**
  - November 19, 2020
  - Tysons, VA

- **RAYMOND JAMES Happy Hour**
  - Spring 2021
  - Tampa, FL

**EQUITY RESEARCH COVERAGE**

- **DEFENSE & GOVERNMENT TECHNOLOGY & SERVICES**
  - Booz | Allen | Hamilton
  - CACI
  - CAE
  - Cognex
  - CUBIC
  - FLIR
  - Fortive
  - L3Harris
  - Maxum
  - NIC
  - iRobot
  - MAXIMUS
  - Trimble
  - Veriform

Note: transactions shown occurred between May 2020 and November 2014
In the wake of the pandemic, federal agencies have been confronted with new challenges that accentuate existing IT needs. As such, digital transformation initiatives are being prioritized in an effort to modernize, optimize, automate, and manage critical applications and infrastructures while enhancing telework capabilities. Funding for such modernization efforts remains a top priority for both the Trump Administration and Congress as the Administration pursues its IT Modernization Cross Agency Priority (“CAP”) goal, with its three-pronged approach focusing on enhancing Federal IT and digital services, reducing cybersecurity risks to the Federal mission, and building a modern IT and cybersecurity workforce.

<table>
<thead>
<tr>
<th>KEY THEMES</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PAST INVESTMENTS ARE PAYING DIVIDENDS</strong></td>
</tr>
<tr>
<td>Since 2016, the federal government has invested $90 - $100 billion annually in IT spend, of which ~50% is devoted to maintaining and modernizing IT infrastructures. These investments have paid enormous dividends in recent months as the vast majority of the federal workforce was required to transition to a work from home (“WFH”) environment. The ability to manage such a quick transition with minimal planning is a testament to past planning and leadership. At the same time, COVID-19 has highlighted the need for continued investment and is accelerating the adoption of offerings and applications that enable a truly agile workplace.</td>
</tr>
<tr>
<td><strong>IT MODERNIZATION REMAINS A FUNDING PRIORITY</strong></td>
</tr>
<tr>
<td>In the wake of the pandemic, federal agencies have been confronted with new challenges that accentuate existing IT needs. As such, digital transformation initiatives are being prioritized in an effort to modernize, optimize, automate, and manage critical applications and infrastructures while enhancing telework capabilities. Funding for such modernization efforts remains a top priority for both the Trump Administration and Congress as the Administration pursues its IT Modernization Cross Agency Priority (“CAP”) goal, with its three-pronged approach focusing on enhancing Federal IT and digital services, reducing cybersecurity risks to the Federal mission, and building a modern IT and cybersecurity workforce.</td>
</tr>
<tr>
<td><strong>ACCELERATED ADOPTION OF NEW MODELS</strong></td>
</tr>
<tr>
<td>COVID-19’s disruptive influence has accelerated federal agencies’ willingness to adopt new offerings and delivery models. The ongoing shift to as-a-service offerings is enabling the transition from a CapEx to an OpEx model, benefiting customers and providers alike. Thought leaders who have already invested in innovative, differentiated solutions stand to realize outsized gains as agencies pivot from testing new offerings within isolated, mission-use cases to multi-million dollar deployments at the enterprise level.</td>
</tr>
<tr>
<td><strong>COMPLEX AND EVOLVING SECURITY NEEDS</strong></td>
</tr>
<tr>
<td>As highlighted in last quarter’s market update, cybersecurity is a top priority for federal agencies, with approximately $20 billion in annual spend. COVID-19 cast a bright light on the need for tools to protect sensitive data in a WFH environment. Hoping for a distracted rival, U.S. adversaries have intensified their cyber warfare efforts in recent months, with many high profile attacks on federal agencies. Security remains a top priority as the cyber battlefield continues to grow in complexity.</td>
</tr>
</tbody>
</table>
A CLOSER LOOK: COVID-19 AND THE GOVERNMENT IT MARKET

IT MODERNIZATION EFFORTS AMID COVID-19

The federal government’s response to COVID-19 has underlined the ongoing, urgent need for IT modernization as agencies explore how to quickly and agilely adapt, scale, and secure their networks to power their remote workforces.

Telework expansion has driven an increased use of cloud computing capabilities, including the underlying business processes that support cloud utilization, in an effort to supply the necessary tools and platforms to keep people working. As such, government customers are demonstrating a heightened desire to explore innovative services and delivery models to enable an agile workforce.

While the COVID-19 response has highlighted the longstanding importance of bolstering IT infrastructure and resources, Congress must continue partnering with federal agencies to fund the upgrade of legacy, highly-customized IT systems. Congress, understanding that the current resources at most agencies are falling short, recently provided nearly $150 billion in emergency funds to enhance telework capabilities and improve cybersecurity. However, more funding is necessary to keep up with the constantly changing missions and years of inadequate investment in digital transformation.

CYBER VULNERABILITIES ACCENTUATED BY A REMOTE WORKFORCE

The increased level of telework resulting from the COVID-19 response has brought to focus the need for better cybersecurity hygiene. Research recently released by Proofpoint has identified numerous cyber breaches over the past two months, including phishing email campaigns and spoofed websites targeted at federal agencies, international governments, and public health organizations involved in COVID-19 relief. These types of attacks have increased efforts to address cyber vulnerabilities through both user awareness efforts and infrastructure-related gap filling efforts.

The Cybersecurity and Infrastructure Security Agency ("CISA") recently released a Trusted Internet Connections ("TIC") 3.0 Interim Telework Guidance to address cybersecurity concerns presented by the telework surge. Within TIC 3.0, CISA outlines new security capabilities that are unique to telework in addition to a Service Provider Overlay template that agencies and cyber-solution providers can use to map needs with solutions. Agencies and service providers will need to work together to marry TIC 3.0 security objectives with the desired solution, while identifying appropriate implementation approaches that quickly and effectively meet telework surge needs.
HIGHLIGHTED RECENT GOVERNMENT IT TRANSACTIONS

May 2020

EIS
Has been acquired by
cognosante

N.D.

SELECT CAPABILITIES
Software & Systems Engineering
Cyber & Cloud
IT Operations

SELECT CUSTOMERS

KEY TAKEAWAY
EIS’ suite of F&O contract vehicles (Alliant 2, ITES, E-SITE, RS3) is an important differentiating factor in a market where access to key vehicles is critical to growth in certain customer sets

March 2020

Terathink
Has been acquired by
CGI

~$72 Million (1)

SELECT CAPABILITIES
Digital Transformation
Financial & Risk Management
Data Analytics & Optimization

SELECT CUSTOMERS

PBGC

KEY TAKEAWAY
Focused expertise can be attractive to global system integrators looking to expand their exposure to the large, highly resilient federal marketplace

March 2020

The Federal Systems Business Unit of
Unisys

Is being acquired by
SAIC

~$1.2 Billion

SELECT CAPABILITIES
Infrastructure Modernization
Cloud Migration
Managed Services

SELECT CUSTOMERS

Managed

KEY TAKEAWAY
Transactions of scale continue to be attractive as businesses seek to take advantage of operating leverage while moving up the value stack through an expanded suite of service offerings

Sources: Capital IQ, Deltek GovWin, DACIS, and publicly available information
N.D. ("Not Disclosed")
(1) Total purchase price converted to U.S. dollars based on the exchange rate as of the transaction close date (3/31/2020)
PUBLIC MARKET PERFORMANCE

Market Commentary

- Despite unprecedented volatility caused by the COVID-19 pandemic, the performance of the Government IT index in the LTM period remains strong, increasing 17.7% and outperforming the S&P 500 by 1,450 basis points.
- Exposure to the commercial markets has been detrimental to firms within the Diversified IT index, which is down 9.3% in the LTM period. This trend underscores investors’ perception of stability within the government services market, with the Government IT index outperforming the Diversified IT index by 2,700 basis points over the last 12 months.

Source: Capital IQ; Data as of 5/22/2020
Note: Companies included are those tracked internally by Raymond James – Individual assets disclosed on page 7
## Public Market Performance (Continued)

$ in millions (except for stock price)

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Ticker</th>
<th>Stock Price at 5/22/2020</th>
<th>% of 52-Week High</th>
<th>Equity Value</th>
<th>Enterprise Value</th>
<th>Financial Performance LTM</th>
<th>Valuation Multiples TEV / LTM EBITDA Margin</th>
<th>Valuation Multiples TEV / CY 2020 (P)</th>
<th>Valuation Multiples TEV / CY 2021 (P)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Booz Allen Hamilton Holding Corporation</td>
<td>NYSE:BAH</td>
<td>$75.81</td>
<td>92.5%</td>
<td>$10,630</td>
<td>$12,372</td>
<td>$7,464</td>
<td>$754</td>
<td>10.1%</td>
<td>3.3x</td>
</tr>
<tr>
<td>CACI International Inc</td>
<td>NYSE:CACI</td>
<td>$242.14</td>
<td>83.9%</td>
<td>$6,074</td>
<td>$7,935</td>
<td>$5,598</td>
<td>$517</td>
<td>9.2%</td>
<td>3.7x</td>
</tr>
<tr>
<td>ICF International, Inc.</td>
<td>NasdaqGS:ICFI</td>
<td>$60.38</td>
<td>63.4%</td>
<td>$1,137</td>
<td>$1,770</td>
<td>$1,496</td>
<td>$134</td>
<td>9.0%</td>
<td>5.1x</td>
</tr>
<tr>
<td>Leidos Holdings, Inc.</td>
<td>NYSE:LDOS</td>
<td>$100.96</td>
<td>80.2%</td>
<td>$14,341</td>
<td>$18,758</td>
<td>$11,406</td>
<td>$1,172</td>
<td>10.3%</td>
<td>4.1x</td>
</tr>
<tr>
<td>ManTech International Corporation</td>
<td>NasdaqGS:MANT</td>
<td>$72.15</td>
<td>76.8%</td>
<td>$2,905</td>
<td>$3,058</td>
<td>$2,332</td>
<td>$208</td>
<td>8.9%</td>
<td>1.2x</td>
</tr>
<tr>
<td>Perspecta Inc.</td>
<td>NYSE:PRSP</td>
<td>$22.17</td>
<td>74.2%</td>
<td>$3,560</td>
<td>$6,287</td>
<td>$4,504</td>
<td>$778</td>
<td>17.3%</td>
<td>3.7x</td>
</tr>
<tr>
<td>Science Applications International Corporation</td>
<td>NYSE:SAIC</td>
<td>$84.91</td>
<td>87.7%</td>
<td>$4,918</td>
<td>$6,959</td>
<td>$6,379</td>
<td>$556</td>
<td>8.7%</td>
<td>4.0x</td>
</tr>
<tr>
<td>Median:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$5,598</td>
<td>$556</td>
<td>9.2%</td>
<td>3.7x</td>
</tr>
<tr>
<td>Average:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$5,597</td>
<td>$589</td>
<td>10.5%</td>
<td>3.6x</td>
</tr>
<tr>
<td>Diversified IT</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accenture plc</td>
<td>NYSE:ACN</td>
<td>$193.71</td>
<td>89.5%</td>
<td>$123,399</td>
<td>$121,815</td>
<td>$44,656</td>
<td>$7,198</td>
<td>16.1%</td>
<td>0.5x</td>
</tr>
<tr>
<td>Capgemini SE</td>
<td>ENXTPA:CAP</td>
<td>$94.12</td>
<td>71.5%</td>
<td>$15,925</td>
<td>$17,698</td>
<td>$15,851</td>
<td>$2,026</td>
<td>12.8%</td>
<td>2.3x</td>
</tr>
<tr>
<td>CGI Inc.</td>
<td>TSX:GIB.A</td>
<td>$62.16</td>
<td>76.2%</td>
<td>$16,029</td>
<td>$18,777</td>
<td>$8,653</td>
<td>$1,521</td>
<td>17.6%</td>
<td>1.9x</td>
</tr>
<tr>
<td>Cognizant Technology Solutions Corporation</td>
<td>NasdaqGS:CTSH</td>
<td>$51.45</td>
<td>72.0%</td>
<td>$27,813</td>
<td>$26,930</td>
<td>$16,698</td>
<td>$3,390</td>
<td>20.1%</td>
<td>1.0x</td>
</tr>
<tr>
<td>DXC Technology Company</td>
<td>NYSE:DXC</td>
<td>$15.48</td>
<td>27.0%</td>
<td>$3,928</td>
<td>$12,211</td>
<td>$20,042</td>
<td>$3,264</td>
<td>16.3%</td>
<td>3.2x</td>
</tr>
<tr>
<td>International Business Machines Corporation</td>
<td>NYSE:IBM</td>
<td>$118.39</td>
<td>74.6%</td>
<td>$105,118</td>
<td>$162,835</td>
<td>$76,536</td>
<td>$16,027</td>
<td>20.9%</td>
<td>4.3x</td>
</tr>
<tr>
<td>NTT DATA Corporation</td>
<td>TSE:9613</td>
<td>$11.24</td>
<td>76.1%</td>
<td>$15,759</td>
<td>$21,232</td>
<td>$21,067</td>
<td>$3,072</td>
<td>14.6%</td>
<td>2.3x</td>
</tr>
<tr>
<td>Median:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$20,042</td>
<td>$3,264</td>
<td>16.3%</td>
<td>2.3x</td>
</tr>
<tr>
<td>Average:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$29,100</td>
<td>$5,214</td>
<td>16.9%</td>
<td>2.2x</td>
</tr>
</tbody>
</table>

Source: Capital IQ; Data as of 5/22/2020

Financial projections are sourced from Capital IQ consensus estimates; foreign traded companies are listed in U.S. dollars at 5/22/2020 spot exchange rate; TEV / EBITDA valuation multiples less than 0.0x or greater than 40.0x and TEV / Total Sales multiples less than 0.0x or greater than 5.0x are considered not material (“N.M.”); “N.A.” indicates no Capital IQ consensus estimates are available; Debt / LTM EBITDA represents Total Debt divided by LTM EBITDA
GOVERNMENT IT BENCHMARKING

REVENUE GROWTH: CY19 & CY20

LTM EBITDA MARGIN

TOTAL DEBT TO LTM EBITDA RATIO

CAPITAL STRUCTURE

Sources: Capital IQ; Data as of 5/22/2020
(1) SAIC excluded due to insufficient historical financial data
DIVERSIFIED IT BENCHMARKING

REVENUE GROWTH: CY19 & CY20

CY19 Revenue Growth
CY20 Revenue Growth

LTM EBITDA MARGIN

TOTAL DEBT TO LTM EBITDA RATIO

CAPITAL STRUCTURE

Equity Funding
Debt Funding

Sources: Capital IQ; Data as of 5/22/2020
(1) CGI, Inc. excluded due to insufficient historical financial data
DISCLAIMER

This presentation includes logos or other words or devices that may be registered trademarks of their respective owners. Such use is solely for purposes of convenience in referring to the trademark owners and their products/services. This presentation and its contents are not endorsed, sponsored or affiliated with any trademark owner. Raymond James & Associates, Inc. and its affiliates are not affiliated with any trademark owner but may provide certain financial services to one or more trademark owners or their affiliates;

Information obtained from third-party sources is considered reliable, but we do not guarantee that the information herein is accurate or complete. This report was prepared within Raymond James & Associates' Investment Banking Department and is for information purposes only. This report is not a product of Raymond James & Associates' Research Department; recipients of this report should not interpret the information herein as sufficient grounds for an investment decision or any other decision;

The report shall not constitute an offer to sell or the solicitation of an offer to buy any of the securities mentioned herein; past performance does not guarantee future results. Any performance mentioned does not include transaction fees and costs which would reduce an investor's return. An investment cannot be made directly in a market index.

Raymond James & Associates, Inc., member New York Stock Exchange/SIPC.