Government IT Quarterly 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

- **Five Arrows Private Investments**
  - Has acquired
  - JUVARE
  - A portfolio company of Thomas H. Lee Partners

- **Pixia**
  - Has been acquired by CUBIC Global, Innovative, Trusted.

- **Advantor Partners**
  - Has been acquired by Vectrus
  - Made to Victor Mission

- **Merlin**
  - Has been acquired by Cerberus

- **The Federal Government IT Solutions Business of Black Box**
  - Has been acquired by ACP

- **Polaris**
  - To form The Global Defense Services Business of CUBIC
  - Has been acquired by Valiant

- **STE**
  - Has been acquired by SOSi

- **Xebec**
  - A portfolio company of RLJ

- **PhaseOne**
  - Has been acquired by Booz Allen Hamilton

- **ARMASYS**
  - Has been acquired by General Dynamics

- **Aquilent**

- **Avnet**
  - Has acquired

- **Apple**
  - Has acquired

- **Amazon**

- **Arrow**

- **Avnet**

- **Cloudera**

- **Cisco**

- **Cognex**

- **FireEye**

- **Jabil**

- **Microsoft**

- **Plexus**

- **Rapid7**

- **SAP**

- **SAP**

- **ServiceNow**

- **Splunk**

- **Sybase**

- **T-Mobile**

- **T-Mobile**

- **UL**

- **Valero**

- **Visa**

- **Wipro**

- **Xilinx**

- **Yahoo!**

- **Zebra**

- **Zoho**

Note: transactions shown occurred between July 2020 and November 2014.
GOVERNMENT IT QUARTERLY UPDATE

GOVERNMENT IT SUBSECTOR SPOTLIGHT: HEALTH IT

KEY THEMES

As a result of the risks associated with visits to medical facilities during the COVID-19 pandemic, telehealth grew in popularity in Q2 2020, with nearly 50% of all Medicare primary care visits conducted via telehealth in April, compared to less than 1% in February (pre-COVID-19). Moreover, while in-office visits have started to resume, telehealth usage remains strong. From January to June 2020, My HealtheVet supported more than 11.6 million secure messages, a 24.1% increase over the same period in 2019. The rapid adoption highlights patients’ preferences for more flexible telehealth options. The transition to telehealth was facilitated, in part, by the Coronavirus Aid, Relief and Economic Security (CARES) Act passed by Congress in March 2020, which included multiple health IT provisions. The majority of the provisions were directed toward telehealth through increased funding and the relaxation of rules.

COVID-19 has only served to accelerate IT modernization and the adoption of next generation technologies. The desire to support near-universal telework prompted the U.S. House of Representatives, earlier this summer, to propose $1 billion in funding for the Technology Modernization Fund. This fund provides much needed support to agencies seeking to break out of the trap of maintaining legacy systems, and enables departments to acquire and shift to new technologies and models. While negotiations continue, many expect additional funding for the Technology Modernization Fund to be included in a possible next round of COVID-19 stimulus spending.

Deltek projects that by FY 2022, total addressable Federal health IT spend will reach $9.2 billion, up from $7.6 billion in FY 2019. While the Department of Health and Human Services (HHS), Department of Veterans Affairs (VA), and the Department of Defense (DoD) comprise the vast majority of this budget segment, recent and future growth is primarily driven by DoD and VA Electronic Health Record (EHR) implementations and associated IT modernization initiatives. At the same time, additional funding from the COVID-19 relief spend (via the CARES Act) is being invested in a diverse array of health IT projects and contributes to the growing forecast.
While digital technology applicable for the health IT market has existed for decades, many technologies have had poor penetration in the market due to data protection and privacy regulations and unsupportive payment structures. The COVID-19 pandemic has forced Congress to re-think how technology is applied and regulated in the health system to improve the quality and cost of patient care.

As part of its pandemic response, HHS lifted any penalties associated with using HIPAA-noncompliant private communications technologies to provide telehealth services. The change has spurred the use of new remote services and is expected to shape how technology is used going forward to provide care. From voice-interface systems (Amazon Alexa, Google Voice, Apple Siri, etc.) to mobile sensors such as smartwatches, oxygen monitors, or thermometers, an opportunity exists to creatively deploy emerging digital technologies to provide ongoing monitoring and tracking of patient health irrespective of their location. The VA requested $2.6 billion for FY 2021, an 80% increase from FY 2020, to enhance its EHR systems. The DoD is similarly investing in a massive EHR implementation. These investments in digital solutions continue to validate how technology can be used to advance patient care at a lower cost.

The need to gather data quickly to better understand the coronavirus pandemic has spurred changes in the manner in which HHS procures solutions to address its digital transformation. HHS was tasked with forming a common operating picture on the pandemic, a task requiring the collection and analysis of hundreds of different data sets from every state and territory, over 6,000 hospitals, commercial and public health labs, and the majority of private hospital labs. As opposed to standardizing billions of data elements by forcing healthcare providers to utilize the same platform, HHS took a more flexible approach, using commercial-off-the-shelf (COTS) technologies to gather data through multiple channels. This has saved vast amounts of dollars given that customizing a single platform to integrate legacy systems is a costly and time consuming project.

HHS’s new infrastructure includes secure file transfer capabilities with Identity, Credential, Access Management (ICAM) measures to ensure that data cannot be exploited by foreign adversaries seeking to access and potential exploit US datasets. Moreover, the ICAM solution can be sold back to agencies performing IT modernization at a lower cost.
HIGHLIGHTED RECENT GOVERNMENT IT TRANSACTIONS

June 2020

**SELECT CAPABILITIES**

- WaveStrike
  - Software Engineering
  - Data Analytics
  - Technology Solutions

**SELECT CUSTOMERS**

- National Security Agency
- Department of Defense

**KEY TAKEAWAY**

Acquisitions that provide access to classified customer sets and enable large-scale pursuits remain a priority for acquirers in the Federal market

N.D.

June 2020

**SELECT CAPABILITIES**

- NuWave Solutions
  - Advanced Analytics
  - A.I. and Machine Learning
  - Data Management & Cloud Solutions

**SELECT CUSTOMERS**

- National Security Agency
- Department of Defense

**KEY TAKEAWAY**

Acquirers continue to seek out companies with expertise in advanced technologies across the data analytics and artificial intelligence markets

N.D.

July 2020

**SELECT CAPABILITIES**

- JUVA RE
  - Crisis Management
  - Emergency Preparedness

**SELECT CUSTOMERS**

- Department of Housing and Urban Development
- Department of Homeland Security

**KEY TAKEAWAY**

Demand remains strong for software solutions that enable government agencies to leverage data to better execute against critical mission objectives

N.D.

Sources: Capital IQ, Deltek GovWin, DACIS, and publicly available information

N.D. (“Not Disclosed”)
The Government IT index experienced growth of 5.2% over the LTM period as investors anticipate the upcoming presidential election.

The Diversified IT index experienced growth of 6.8% in the LTM period, but significantly lagged the S&P 500. It is important to note that the S&P 500 has largely outperformed as a result of strong gains by commercial technology companies.
## Government IT

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Ticker</th>
<th>Stock Price at 8/28/2020</th>
<th>% of 52-Week High</th>
<th>Equity Value</th>
<th>Enterprise Value</th>
<th>Financial Performance</th>
<th>Valuation Multiples</th>
<th>Valuation Multiples</th>
<th>Valuation Multiples</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>LTM</td>
<td>TEV / LTM</td>
<td>TEV / CY 2020 (P)</td>
<td>TEV / CY 2021 (P)</td>
</tr>
<tr>
<td>Booz Allen Hamilton Holding Corporation</td>
<td>NYSE:BAH</td>
<td>$88.77</td>
<td>99.4%</td>
<td>$12,233</td>
<td>$14,048</td>
<td>$7,595</td>
<td>$768</td>
<td>10.1%</td>
<td>3.2x</td>
</tr>
<tr>
<td>CACI International Inc</td>
<td>NYSE:CACI</td>
<td>$235.48</td>
<td>81.6%</td>
<td>$5,910</td>
<td>$7,628</td>
<td>$5,720</td>
<td>$574</td>
<td>10.0%</td>
<td>3.2x</td>
</tr>
<tr>
<td>ICF International, Inc.</td>
<td>NasdaqGS:ICFI</td>
<td>$68.13</td>
<td>71.5%</td>
<td>$1,284</td>
<td>$1,894</td>
<td>$1,496</td>
<td>$134</td>
<td>9.0%</td>
<td>4.6x</td>
</tr>
<tr>
<td>Leidos Holdings, Inc.</td>
<td>NYSE:LDOS</td>
<td>$91.31</td>
<td>72.6%</td>
<td>$12,984</td>
<td>$18,058</td>
<td>$11,932</td>
<td>$1,242</td>
<td>10.7%</td>
<td>4.6x</td>
</tr>
<tr>
<td>ManTech International Corporation</td>
<td>NasdaqGS:MAN</td>
<td>$75.13</td>
<td>79.9%</td>
<td>$3,030</td>
<td>$3,139</td>
<td>$2,427</td>
<td>$218</td>
<td>9.0%</td>
<td>0.6x</td>
</tr>
<tr>
<td>Perspecta Inc.</td>
<td>NYSE:PRSP</td>
<td>$21.15</td>
<td>70.8%</td>
<td>$3,400</td>
<td>$6,061</td>
<td>$4,504</td>
<td>$741</td>
<td>16.5%</td>
<td>3.8x</td>
</tr>
<tr>
<td>Science Applications International Corporation</td>
<td>NYSE:SAIC</td>
<td>$83.03</td>
<td>85.8%</td>
<td>$4,826</td>
<td>$7,628</td>
<td>$6,521</td>
<td>$540</td>
<td>8.3%</td>
<td>6.1x</td>
</tr>
<tr>
<td><strong>Median:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$5,720</td>
<td>$574</td>
<td>10.0%</td>
<td>3.8x</td>
</tr>
<tr>
<td><strong>Average:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$5,694</td>
<td>$602</td>
<td>10.5%</td>
<td>3.7x</td>
</tr>
</tbody>
</table>

## Diversified IT

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Ticker</th>
<th>Stock Price at 8/28/2020</th>
<th>% of 52-Week High</th>
<th>Equity Value</th>
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<td></td>
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<td></td>
<td></td>
<td>LTM</td>
<td>TEV / LTM</td>
<td>TEV / CY 2020 (P)</td>
<td>TEV / CY 2021 (P)</td>
</tr>
<tr>
<td>Accenture plc</td>
<td>NYSE:ACN</td>
<td>$242.99</td>
<td>99.9%</td>
<td>$154,589</td>
<td>$152,125</td>
<td>$44,547</td>
<td>$7,221</td>
<td>16.2%</td>
<td>0.5x</td>
</tr>
<tr>
<td>Capgemini SE</td>
<td>ENXTPA:CAP</td>
<td>$139.82</td>
<td>97.2%</td>
<td>$23,659</td>
<td>$25,595</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>$70.88</td>
<td>81.1%</td>
<td>$18,294</td>
<td>$20,790</td>
<td>$8,967</td>
<td>$1,571</td>
<td>17.5%</td>
<td>2.2x</td>
</tr>
<tr>
<td>Cognizant Technology Solutions Corp.</td>
<td>NasdaqGS:CTSH</td>
<td>$67.69</td>
<td>94.7%</td>
<td>$36,704</td>
<td>$35,589</td>
<td>$16,757</td>
<td>$3,294</td>
<td>19.7%</td>
<td>1.1x</td>
</tr>
<tr>
<td>DXC Technology Company</td>
<td>NYSE:DXC</td>
<td>$20.56</td>
<td>53.6%</td>
<td>$5,226</td>
<td>$13,778</td>
<td>$19,189</td>
<td>$2,927</td>
<td>15.3%</td>
<td>4.7x</td>
</tr>
<tr>
<td>International Business Machines Corp.</td>
<td>NYSE:IBM</td>
<td>$125.07</td>
<td>78.8%</td>
<td>$111,385</td>
<td>$167,183</td>
<td>$75,499</td>
<td>$15,577</td>
<td>20.6%</td>
<td>4.5x</td>
</tr>
<tr>
<td>NTT DATA Corporation</td>
<td>TSE:3613</td>
<td>$11.48</td>
<td>76.1%</td>
<td>$16,107</td>
<td>$20,730</td>
<td>$21,061</td>
<td>$3,066</td>
<td>14.6%</td>
<td>2.2x</td>
</tr>
<tr>
<td><strong>Median:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$19,189</td>
<td>$3,066</td>
<td>16.2%</td>
<td>2.2x</td>
</tr>
<tr>
<td><strong>Average:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$28,839</td>
<td>$5,097</td>
<td>16.7%</td>
<td>2.5x</td>
</tr>
</tbody>
</table>

Source: Capital IQ; Data as of 8/28/2020

Financial projections are sourced from Capital IQ consensus estimates; foreign traded companies are listed in U.S. dollars at 8/7/2020 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 *(1)*

- **CAIC**
  - CY19E Revenue Growth: 16%
  - CY20P Revenue Growth: 12%
- **ManTech**
  - CY19E Revenue Growth: 11%
  - CY20P Revenue Growth: 10%
- **Box | Allen | Hamilton**
  - CY19E Revenue Growth: 10%
  - CY20P Revenue Growth: 8%

LTM EBITDA MARGIN

- **perspecta**
  - LTM EBITDA Margin: 16%
- **CACI**
  - LTM EBITDA Margin: 11%
- **ManTech**
  - LTM EBITDA Margin: 10%
- **SAIC**
  - LTM EBITDA Margin: 9%

TOTAL DEBT TO LTM EBITDA RATIO

- **SAIC**
  - Debt to LTM EBITDA Ratio: 6.1x
- **leidos**
  - Debt to LTM EBITDA Ratio: 4.6x
- **CACI**
  - Debt to LTM EBITDA Ratio: 3.8x
- **ManTech**
  - Debt to LTM EBITDA Ratio: 3.2x

CAPITAL STRUCTURE

- **ManTech**
  - Equity Funding: 4%
  - Debt Funding: 96%
- **CACI**
  - Equity Funding: 17%
  - Debt Funding: 83%
- **Box | Allen | Hamilton**
  - Equity Funding: 24%
  - Debt Funding: 76%
- **leidos**
  - Equity Funding: 31%
  - Debt Funding: 69%
- **ICF**
  - Equity Funding: 33%
  - Debt Funding: 67%
- **perspecta**
  - Equity Funding: 41%
  - Debt Funding: 59%
- **SAIC**
  - Equity Funding: 46%
  - Debt Funding: 54%

Sources: Capital IQ; Data as of 8/28/2020

*(1)* SAIC excluded due to insufficient historical financial data.
DIVERSIFIED IT BENCHMARKING

REVENUE GROWTH: CY19 & CY20 (1)

LTM EBITDA MARGIN

TOTAL DEBT TO LTM EBITDA RATIO

CAPITAL STRUCTURE

Sources: Capital IQ; Data as of 8/28/2020
(1) CGI, Inc. excluded due to insufficient historical financial data
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