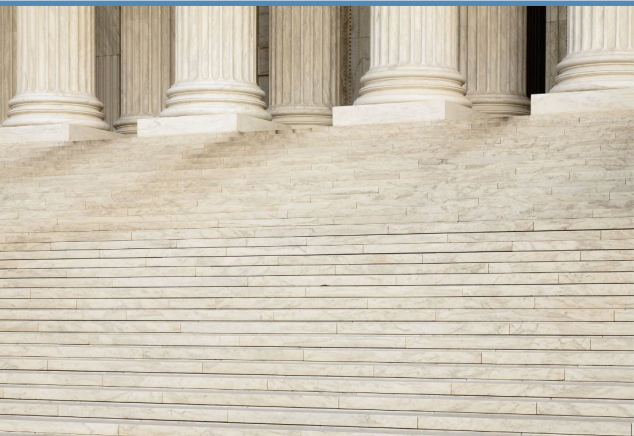


Government IT Quarterly

MARKET UPDATE

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Industry Expertise: Illustrative Transactions

 A portfolio company of Has been acquired by Jacobs	 A portfolio company of Has entered a definitive agreement to be acquired by BAE SYSTEMS	 Has entered a definitive agreement to be acquired by A portfolio company of 	 Has been acquired by A portfolio company of A C P	 Has been acquired by Booz Allen Hamilton	 A portfolio company of Has been acquired by PARSONS
 Has been acquired by MAXIMUS	 Global. Innovative. Trusted. Has been acquired by 	 Has been acquired by CARLYLE	 A portfolio company of Has been acquired by PAE	 A portfolio company of Has been acquired by CARLYLE	 Has received a strategic investment from
 Has acquired A portfolio company of 	 Has been acquired by Global. Innovative. Trusted.	 Has been acquired by A portfolio company of 	 Has been acquired by TRUE TO YOUR MISSION	 Has received financing from cerberus	 Has been acquired by cerberus
 Global. Innovative. Trusted. \$227,700,000 Follow-On Offering Co-Manager	The Federal Government IT Solutions Business of Has been acquired by A C P	 Has been acquired by PARSONS	The Global Defense Services Business of Global. Innovative. Trusted. Has been acquired by 	 Has been acquired by 	 Has been acquired by A C P

*Transactions occurred between October 2017 and November 2021

Illustrative Equity Research Coverage

GOVERNMENT TECHNOLOGY & SERVICES						SATELLITE COMMUNICATION SERVICES		
			Booz Allen Hamilton					

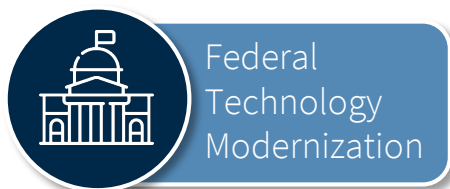
*The public companies displayed are actively covered by Raymond James Equity Research analysts

Government IT Subsector Spotlight: Digital Transformation



Biden Administration Initiatives

- As outlined in the President's Management Agenda (PMA), improving the design of digital services and the overall customer experience is one of the top priorities for the Biden administration
- The goal is to better coordinate service delivery by streamlining access and breaking down barriers between agencies and identifying pain points and gaps in accessibility and equity
- As emphasized in previous PMAs, Federal IT delivery will be crucial to delivering this plan's goal



Federal Technology Modernization

- A recent survey found that 88% of federal employees working in technology-focused roles say their agencies have fallen behind on modernization plans, while 73% of those surveyed say their agency lacks a clear vision for digital transformation⁽¹⁾
- Two of the top reasons cited as the cause for digital transformation failure were cultural resistance and the inability of contractors to quickly implement initiatives
- Establishing strong employee and vendor support and continually measuring outcomes against objectives will be a continued priority for CIOs this upcoming year as they focus on getting federal agencies current on emerging technologies



State and Local Government Initiatives

- Driven by COVID-19, state and local (S&L) governments have accelerated the roll-out of digital services for citizens and have bolstered security to protect newly digitalized resources and technologies
- The three most accelerated emerging technologies during the pandemic were chatbots, fraud detection, and voicebots. No-code/low-code was viewed as the most "impactful" emerging IT area in the next three to five years, above AI/machine learning⁽²⁾
- These types of technologies will continue to play a critical role in delivering modern government solutions to the S&L market and will shape the S&L digital modernization strategy going forward

(1) Based on *Federal digital transformation report*, published by ICF

(2) Based on *The 2021 State CIO Survey*, published by National Association of State Chief Information Officers

A Closer Look: Current Digital Transformation Initiatives



2022 IT Modernization Acquisitions and the Proliferation of “As-a-service” Models

Market Insight

As we head into the new year, a number of agencies are seeking to expand IT modernization-related spend on existing programs and new initiatives. In the last year alone, the Technology Modernization Fund Board received upward of \$2 billion in funding requests, more than double the amount appropriated by the American Rescue Plan Act, and the pace and scale of these requests is expected to increase as we head into 2022.

“You can see that the scale and pace and size... has increased significantly in the last six months”

- Raylene Yung, Executive Director of Technology Modernization Fund

Notably, the General Services Administration recently announced its plans to expand the scope of the \$50 billion Enterprise Infrastructure Solutions (EIS) procurement to include a broader set of mobility-as-a-service offerings, an increasingly important area given the proliferation of 5G and edge computing.

The Department of Commerce is also focusing on as-a-service offerings and recently issued its RFP for the \$1.5 billion Commerce Acquisition for Transformational Technology Services contract. The contract will focus on using cloud platforms to deliver as-a-service offerings to agencies in the areas of chief information officer support, digital document and records management, managed service outsourcing and consulting, IT operations and maintenance, IT services management, and cybersecurity. As-a-service offerings are expected to continue to be a foundational component to many up-and-coming agency procurements.



U.S. Army's New Digital Strategy is focused on three central pillars to drive change

Market Insight

In October, the U.S. Army released its Army Digital Transformation Strategy (ADTS), which focuses on leveraging innovative and transformative technologies for joint multi-domain operations. ADTS establishes the vision for how digital transformation can help achieve Waypoint 2028 – the Army's framework for fighting and winning in competition, crisis, and conflict while simultaneously consolidating gains.

“Going digital is a mindset, it's cultural change.”

- Dr. Raj Iyer, Army CIO

Strategy Focus:

ADTS is organized into three pillars: Modernization & Readiness, Reform, and People & Partnerships. In addition to an emphasis on cloud, taking an enterprise approach to cybersecurity is a major focus within the Modernization pillar.

Within the People & Partnerships pillar, the Army will work to build-out its bench of digital talent. The Army has already begun its efforts to upskill and reskill the 72,000 military and civilian employees in its IT workforce. Additionally, the Army is setting up a centralized cloud-based IT infrastructure that will enable the workforce to focus on higher-end tasks.

Finally, the Army established two new councils to oversee and reform IT spending and acquisition – the IT Oversight Council and the Army Digital Oversight Council. The new councils will provide deeper oversight into how the Army spends the \$15 billion allocated to digital technology and services and will work to consolidate the Army's disparate systems into a central enterprise IT management structure.

Highlighted Recent Government Services Transactions

November 2021



Select Capabilities



Agile Software
Development



OSINT



Cyber

Select Customers



Key Takeaway

National Security platforms providing differentiated, technology-enabled solutions to the intelligence community (IC) continue to be attractive targets as acquirers look to grow their presence within the IC

November 2021



Select Capabilities



Low-Code
Software Develop.



Cloud



Process
Automation

Select Customers



Key Takeaway

Companies can leverage outside capital to expand capabilities and customers and pursue new growth avenues, while retaining their agility and entrepreneurial culture

November 2021



Select Capabilities



Engineering
Support



Cyber



Research and
Development

Select Customers



Key Takeaway

Acquisitions targeting high priority funding customers like the Navy are highly attractive to strategic acquirers looking to position themselves at the forefront of National Security initiatives

Highlighted Recent Government Services Transactions

October 2021



Has been acquired by

OCEANSOUND
PARTNERS

N.D.

Select Capabilities



Application
Development



Cloud



Cyber

Select Customers



Key Takeaway

Companies operating at the intersection of the commercial and government technology markets are attractive to acquirers as the market for digital solutions grows at an accelerated pace

October 2021



Has entered a definitive agreement to be acquired by

amentum™

A portfolio company of



&



\$1.9 billion

Select Capabilities



Analysis and
Operations



Data Center
Services



Intelligence
Analysis Support

Select Customers



Key Takeaway

Large, private equity-backed companies are interested in targets that can add scale, depth of client relationships, and breadth of capabilities

October 2021



Has been acquired by



A portfolio company of



VERITAS
CAPITAL

N.D.

Select Capabilities



Data
Analytics



Digital
Modernization



Systems
Integration

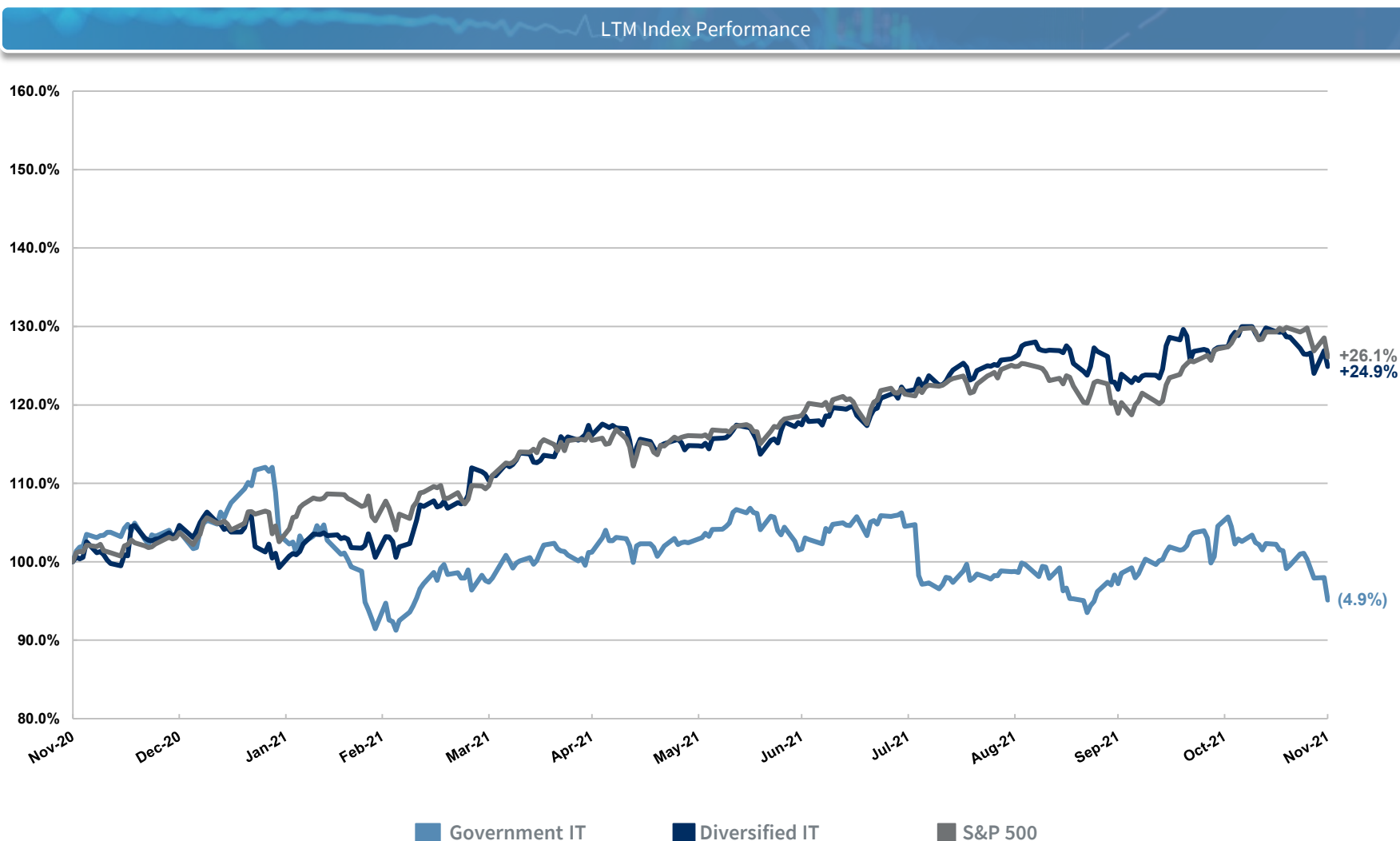
Select Customers



Key Takeaway

The health, human services, and public safety domains are a growing area of focus, especially given the ongoing implications of the COVID-19 pandemic

Public Market Performance



Source: Capital IQ; Data as of 11/30/2021

Note: Companies included are those tracked internally by Raymond James – Individual assets disclosed on next page

Public Market Performance (Continued)

\$ in millions (except for stock price)

in millions (except for stock price)

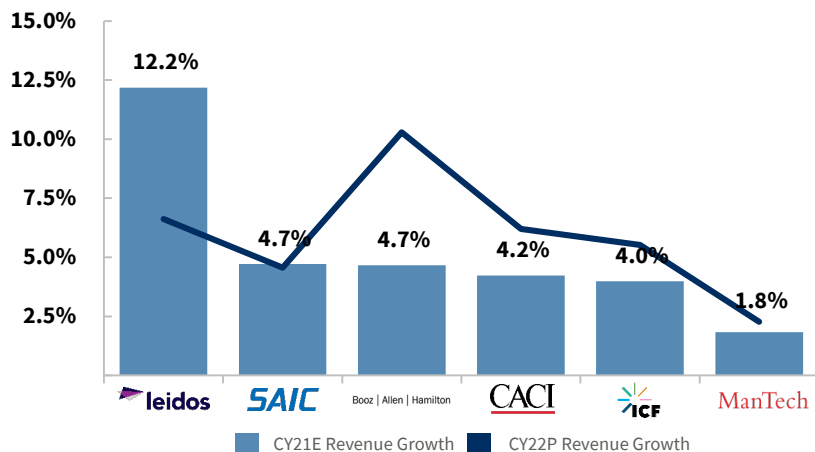
Market Data						Financial Performance				Valuation Multiples		Valuation Multiples		Valuation Multiples	
						LTM				TEV / LTM		TEV / CY 2021 (P)		TEV / CY 2022 (P)	
Company Name	Ticker	Stock Price at 11/30/2021	% of 52-Week High	Equity Value	Enterprise Value	Total Sales	EBITDA	Margin	Debt / EBITDA	Total Sales	EBITDA	Total Sales	EBITDA	Total Sales	EBITDA
Government IT															
Booz Allen Hamilton Holding Corporation	NYSE:BAH	\$83.94	83.7%	\$11,239	\$13,623	\$7,978	\$906	11.4%	3.5x	1.7x	15.0x	1.7x	15.0x	1.5x	14.3x
CACI International Inc	NYSE:CACI	\$259.43	89.2%	\$6,052	\$8,031	\$6,076	\$664	10.9%	3.1x	1.3x	12.1x	1.3x	12.3x	1.2x	11.3x
ICF International, Inc.	NasdaqGS:ICFI	\$96.74	89.4%	\$1,826	\$2,227	\$1,600	\$146	9.1%	2.8x	1.4x	15.2x	1.4x	14.0x	1.3x	13.4x
Leidos Holdings, Inc.	NYSE:LDOS	\$87.91	77.3%	\$12,337	\$17,586	\$13,498	\$1,517	11.2%	3.8x	1.3x	11.6x	1.3x	11.5x	1.2x	11.3x
ManTech International Corporation	NasdaqGS:MANT	\$67.95	67.0%	\$2,768	\$2,721	\$2,478	\$261	10.5%	0.4x	1.1x	10.4x	1.1x	10.4x	1.0x	10.9x
Science Applications International Corporation	NYSE:SAIC	\$83.89	80.7%	\$4,829	\$7,539	\$7,249	\$692	9.5%	4.1x	1.0x	10.9x	1.0x	11.3x	1.0x	10.8x
Median:			82.2%	\$5,440	\$7,785	\$6,662	\$678	10.7%	3.3x	1.3x	11.8x	1.3x	11.9x	1.2x	11.3x
Average:			81.2%	\$6,509	\$8,621	\$6,480	\$698	10.5%	3.0x	1.3x	12.5x	1.3x	12.4x	1.2x	12.0x
Diversified IT															
Accenture plc	NYSE:ACN	\$357.40	95.3%	\$225,748	\$221,650	\$50,533	\$8,446	16.7%	0.4x	4.4x	26.2x	4.2x	22.3x	3.8x	20.3x
Capgemini SE	ENXTPA:CAP	\$230.05	93.2%	\$38,737	\$45,554	\$20,130	\$2,619	13.0%	3.9x	2.3x	17.4x	2.2x	13.7x	2.1x	12.5x
CGI Inc.	NYSE:GIB	\$83.48	88.9%	\$20,315	\$22,286	\$9,591	\$1,690	17.6%	2.0x	2.3x	13.2x	2.3x	11.6x	2.2x	11.0x
Cognizant Technology Solutions Corporation	NasdaqGS:CTSH	\$77.98	94.1%	\$40,959	\$40,224	\$17,914	\$3,153	17.6%	0.5x	2.2x	12.8x	2.2x	11.8x	2.0x	10.7x
DXC Technology Company	NYSE:DXC	\$29.99	67.9%	\$7,565	\$11,539	\$16,841	\$1,881	11.2%	3.4x	0.7x	6.1x	0.7x	4.3x	0.7x	4.1x
International Business Machines Corporation	NYSE:IBM	\$117.10	76.6%	\$105,015	\$156,067	\$74,461	\$15,659	21.0%	3.8x	2.1x	10.0x	2.2x	8.6x	4.8x	9.1x
NTT DATA Corporation	TSE:9613	\$21.11	92.9%	\$29,607	\$33,919	\$21,970	\$3,614	16.4%	1.7x	1.5x	9.4x	1.6x	10.4x	1.5x	9.2x
Median:			92.9%	\$38,737	\$40,224	\$20,130	\$3,153	16.7%	2.0x	2.2x	12.8x	2.2x	11.6x	2.1x	10.7x
Average:			87.0%	\$66,850	\$75,891	\$30,206	\$5,295	16.2%	2.2x	2.2x	13.6x	2.2x	11.8x	2.5x	11.0x

Source: Capital IQ; Data as of 11/30/2021

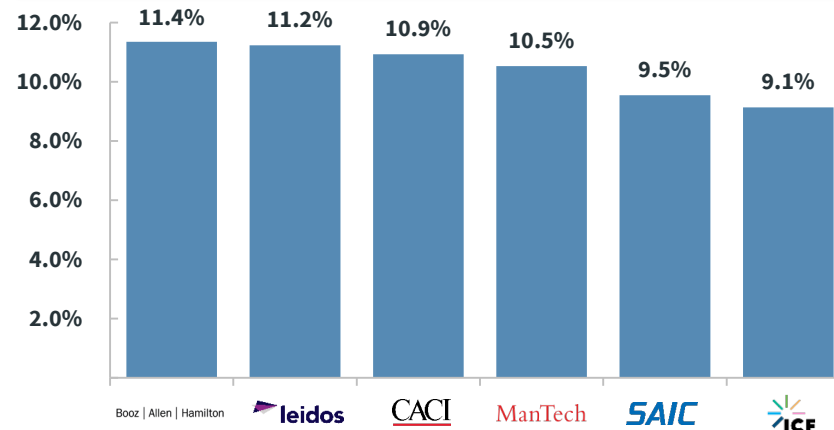
Financial projections are sourced from Capital IQ consensus estimates; foreign traded companies are listed in U.S. dollars at 11/30/2021 spot exchange rate; TEV / EBITDA valuation multiples less than 0.0x or greater than 40.0x and TEV / Total Sales multiples less than 0.0x or greater than 5.0x are considered 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

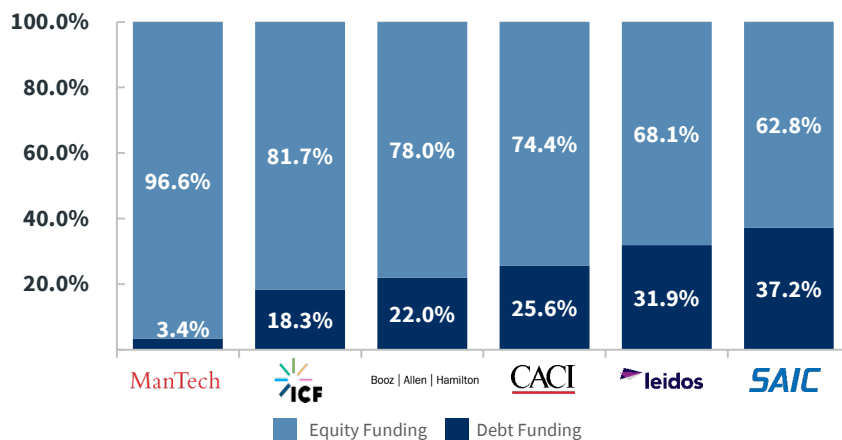
Revenue Growth: CY21E - CY22P



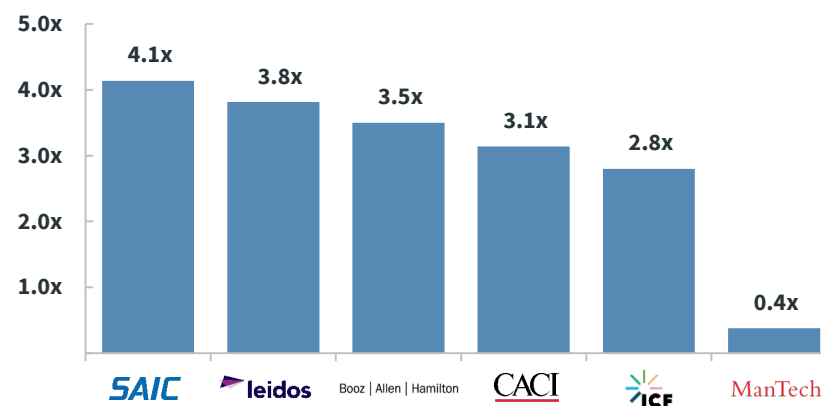
LTM EBITDA Margin



Capital Structure

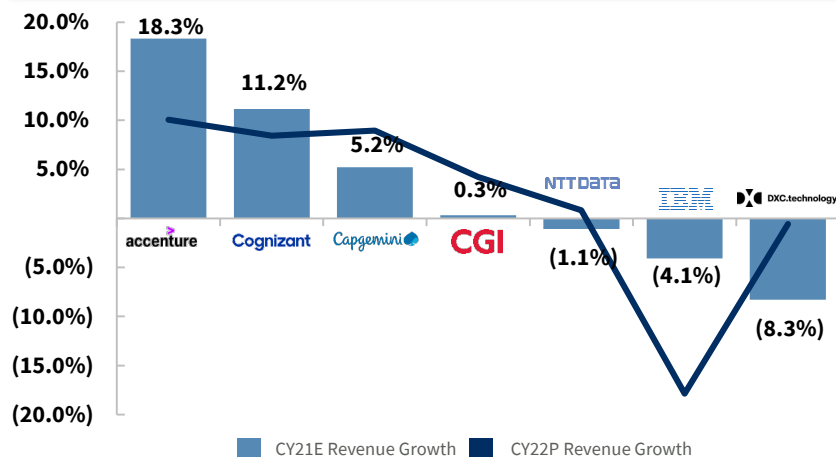


Total Debt to LTM EBITDA Ratio

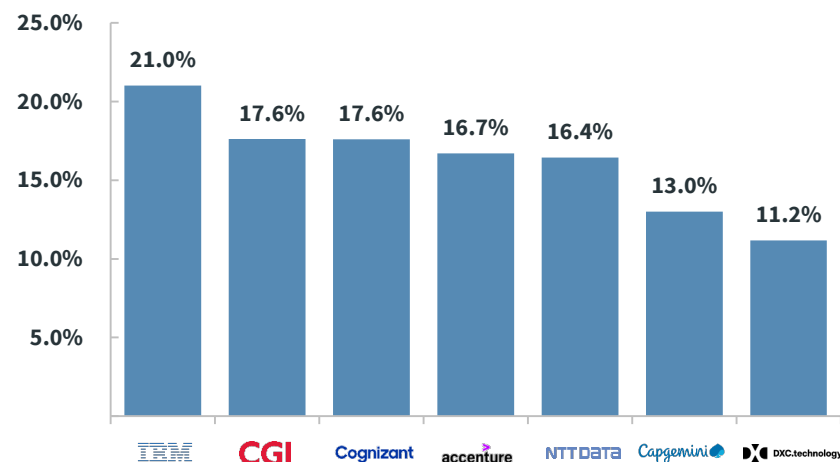


Diversified IT Benchmarking

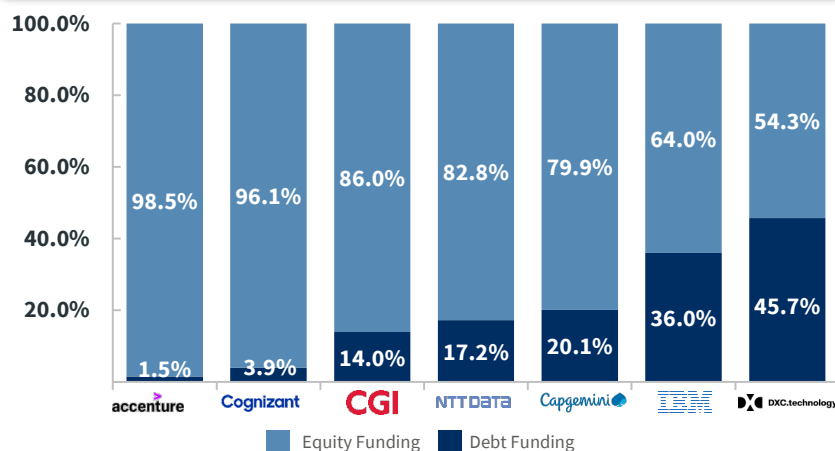
Revenue Growth: CY21E - CY22P



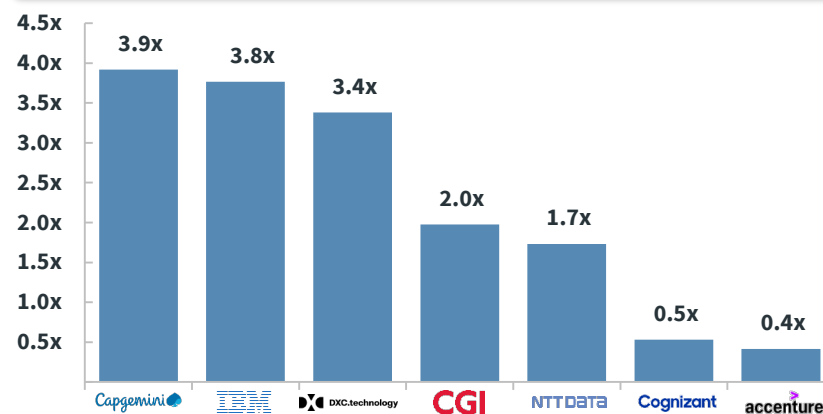
LTM EBITDA Margin



Capital Structure



Total Debt to LTM EBITDA Ratio



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