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

- **PIXIA**
  - Has been acquired by **CUBIC**
  - Pending

- **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 **ACP**
  - To form **TYTO**

- **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 **ACP**

- **PHASEONE**
  - A portfolio company of **RLI**
  - Has been acquired by **accenture**

- **Schafer**
  - A portfolio company of **Metalmark**
  - Has been acquired by **Belcan**

- **Booz | Allen | Hamilton**

- **ARMA**
  - Has been acquired by **GENERAL DYNAMICS**

PROPRIETARY CONFERENCES

- **2020 Raymond James Defense & Government Services Conference**
  - May 27, 2020
  - Washington, D.C.

- **Mastery of the Deal**
  - December 12, 2019
  - Tysons, VA

- **RAYMOND JAMES® Happy Hour**
  - Tampa, FL

EQUITY RESEARCH COVERAGE

- **AeroVironment**
- **APTIV**
- **AXON**
- **Booz | Allen | Hamilton**
- **CACI**
- **Cerence**
- **Cognex**
- **Cubic**
- **FLIR**
- **Forteve**
- **L3Harris**
- **IPG**
- **iRobot**
- **Maximus**
- **Nic**
- **Light**
- **Roper**
- **Trimble**
- **Visteon**

GOVERNMENT IT SUBSECTOR SPOTLIGHT: CLOUD

KEY THEMES IN THE FEDERAL CLOUD MARKET

FUNDING PRIORITY
Cloud remains a top funding priority within the U.S. federal budget, projected to grow at a ~12% CAGR over the next five years, reaching $9.1 billion by FY 2024.

EVOLUTION OF “aaS” DELIVERY / OFFERINGS
The growing complexity of the cloud environment is driving innovative service offerings across the ecosystem.

CRITICALITY OF LARGE CONTRACT VEHICLES
As the government continues to rely upon a limited pool of indefinite-delivery / indefinite-quantity ("IDIQ") vehicles, the market is increasingly segmented between IDIQ “have” and “have nots”.

MARKET HEADWINDS
FEDRAMP certification requirements and delays limit the speed at which commercial offerings can be brought to market and dampen the pace of change for forward-leaning customer sets.

FEDERAL CLOUD MARKET FORECAST

<table>
<thead>
<tr>
<th>Year</th>
<th>Spend (in billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2019</td>
<td>$5.3</td>
</tr>
<tr>
<td>FY 2020</td>
<td>$5.7</td>
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<tr>
<td>FY 2021</td>
<td>$6.5</td>
</tr>
<tr>
<td>FY 2022</td>
<td>$7.1</td>
</tr>
<tr>
<td>FY 2023</td>
<td>$8.3</td>
</tr>
<tr>
<td>FY 2024</td>
<td>$9.1</td>
</tr>
</tbody>
</table>

CAGR: ~12%


TOP TEN FEDERAL AGENCIES BY FY 2019 CLOUD SPEND

<table>
<thead>
<tr>
<th>Agency</th>
<th>FY 2019 Spend (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Navy</td>
<td>$130</td>
</tr>
<tr>
<td>Dept. of Commerce</td>
<td>$150</td>
</tr>
<tr>
<td>Dept. of Agriculture</td>
<td>$175</td>
</tr>
<tr>
<td>Army</td>
<td>$230</td>
</tr>
<tr>
<td>Dept. of Justice</td>
<td>$250</td>
</tr>
<tr>
<td>Other DoD</td>
<td>$370</td>
</tr>
<tr>
<td>DHS</td>
<td>$510</td>
</tr>
<tr>
<td>Air Force</td>
<td>$550</td>
</tr>
<tr>
<td>HHS</td>
<td>$590</td>
</tr>
<tr>
<td>Dept. of Veterans Affairs</td>
<td>$975</td>
</tr>
</tbody>
</table>

CLOUD IN THE NEWS

THE JEDI CLOUD WAR

Microsoft has been awarded the Pentagon’s Joint Enterprise Defense Infrastructure (“JEDI”) cloud contract, worth up to $10 billion over 10 years

MARKET IMPLICATIONS

Much as C2S was a “statement” win for AWS, Microsoft’s JEDI award provides Azure with an extremely high-profile validation of its ability to deliver in the face of complex mission requirements

WHAT ABOUT THE RUNNER-UPs?

- AWS is protesting the award over claims of "errors and unmistakable bias". Regardless of the outcome, AWS will remain a dominant player in the market
- Watch for Google to seek to make its own splash, particularly with federal civilian customers, as it looks to expand its federal business, and move past the controversy surrounding its withdrawal from Project Maven
- While often less publicized, Oracle, IBM and other leading cloud providers continue to invest heavily in the federal market, refusing to readily seed ground to competitors seeking increased market share

WHAT’S NEXT?

- Assuming the JEDI award stands, watch for fights over funding as competing cloud providers seek to steer dollars away from the massive $10 billion vehicle
- Overall, the JEDI award is a win for the sector, demonstrating DoD’s continued commitment to the cloud and IT modernization. Expect dollars to continue to flow into all things cloud in coming years

THE 5G EVOLUTION – TRANSFORMING CLOUD AT THE EDGE

The Department of Defense has selected four military installations to be experimental test sites for 5G prototyping

MARKET IMPLICATIONS

The experimental pilots are built around three use cases, all of which provide insight into the DoD’s 5G investment priorities:

1. Leveraging 5G in congested environments using high-power, mid-band radars
2. Integrating augmented reality and virtual reality for mission planning and training; and
3. Developing smart warehouses to leverage 5G’s ability to enhance logistics operations and maximize throughput

THE POWER OF 5G COULD TRANSFORM CLOUD AS WE KNOW IT...

- A huge number of network-connected devices have the ability to come into contact with the cloud and become edge computing devices, enabling machine-to-machine communications
- The marriage of 5G and cloud services (centralized and edge computing) will allow carriers to offer competitive services in a manner that non-cellular IoT network providers cannot replicate, such as 5G network access to IoT-based IT technologies and cloud solutions. 5G will be transformative to how cloud is utilized at the “edge”
HIGHLIGHTED RECENT GOVERNMENT IT TRANSACTIONS

**March 2019**

**SEVTECH**

Has been acquired by

**DFW CAPITAL PARTNERS**

**N.D.**

**CAPABILITIES**

Engineering  
Cyber  
Cloud

**CUSTOMERS**

**KEY TAKEAWAY**

Private equity remains an attractive buyer, particularly for management teams seeking a partner to help fuel the ongoing growth of the business

**Pending**

**PIXIA**

Has been acquired by

**CUBIC**

**$250 Million (1)**

**CAPABILITIES**

Geospatial Intelligence  
Software-as-Service  
Big Data Analytics  
A.I. / Machine Learning

**CUSTOMERS**

**KEY TAKEAWAY**

Businesses driven by scalable, high-margin IP in key growth areas, including A.I. and data analytics, attract premium valuations

**June 2019**

**merlin**

Has received financing from

**cerberus**

**N.D.**

**CAPABILITIES**

Cybersecurity  
Cloud Security

**CUSTOMERS**

**KEY TAKEAWAY**

Investors remain eager to invest in high growth areas of the federal market, including cyber, which remains a top priority in the face of growing and ever-evolving threats

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**Sources:** Capital IQ, Deltek GovWin, DACIS, and publicly available information  
N.D. ("Not Disclosed")  
(1) PIXIA valuation implied based on Cubic’s 20% equity investment; on 11/20/2019 Cubic announced its intention to exercise its option to purchase the remaining 80% of the capital stock of PIXIA
## HIGHLIGHTED RECENT GOVERNMENT IT TRANSACTIONS (CONTINUED)

<table>
<thead>
<tr>
<th>Date</th>
<th>Company</th>
<th>Acquired by</th>
<th>Transaction Value</th>
<th>Key Takeaway</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 2019</td>
<td>Altamira</td>
<td>ClearSky</td>
<td>N.D.</td>
<td>Mission-driven IT services in support of leading national security customers remains a high-growth area</td>
</tr>
<tr>
<td></td>
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</tr>
<tr>
<td>August 2019</td>
<td>Knight Point</td>
<td>Perspecta</td>
<td>$250 Million</td>
<td>Companies focused on IT modernization via a managed services offering are attractive to large strategics in the space</td>
</tr>
<tr>
<td></td>
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<td></td>
</tr>
<tr>
<td>September 2019</td>
<td>AceInfo</td>
<td>Dovel Technologies</td>
<td>N.D.</td>
<td>Adding customers and contract vehicles to existing portfolios is an important driver of recent M&amp;A activity</td>
</tr>
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</tbody>
</table>
PUBLIC MARKET PERFORMANCE

Market Commentary

- Government IT firms continue to outperform the overall market as agencies continue to invest in modernization efforts to replace legacy systems and processes
- Despite added volatility from concerns over international trade disputes, overall equity markets have remained strong

LTM INDEX PERFORMANCE

Government IT
Diversified IT
S&P 500

Source: Capital IQ; Data as of 11/29/2019
Note: Companies included are those tracked internally by Raymond James – Individual assets disclosed on page 8
## PUBLIC MARKET PERFORMANCE (CONTINUED)

### Government IT

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Ticker</th>
<th>Stock Price at 11/29/2019</th>
<th>% of 52-Week High</th>
<th>Equity Value 11/29/2019</th>
<th>Enterprise Value</th>
<th>TEV / LTM</th>
<th>Total Sales</th>
<th>EBITDA Margin</th>
<th>TEV / CY 2019 (E)</th>
<th>Total Sales</th>
<th>EBITDA</th>
<th>TEV / CY 2020 (P)</th>
<th>Total Sales</th>
<th>EBITDA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Booz Allen Hamilton Holding Corporation</td>
<td>NYSE:BAH</td>
<td>$72.76</td>
<td>93.3%</td>
<td>$10,214</td>
<td>$11,895</td>
<td>$7,088</td>
<td>$718</td>
<td>10.1%</td>
<td>1.7x</td>
<td>1.6x</td>
<td>1.6x</td>
<td>1.5x</td>
<td>1.5x</td>
<td>12x</td>
</tr>
<tr>
<td>CACI International Inc</td>
<td>NYSE:CACI</td>
<td>$239.32</td>
<td>98.9%</td>
<td>$5,993</td>
<td>$7,921</td>
<td>$5,184</td>
<td>$488</td>
<td>9.4%</td>
<td>1.5x</td>
<td>1.5x</td>
<td>1.6x</td>
<td>1.4x</td>
<td>1.4x</td>
<td>12.8x</td>
</tr>
<tr>
<td>ICF International, Inc.</td>
<td>Nasdaq:ICFI</td>
<td>$89.73</td>
<td>97.5%</td>
<td>$1,688</td>
<td>$2,081</td>
<td>$1,460</td>
<td>$134</td>
<td>9.2%</td>
<td>1.4x</td>
<td>1.4x</td>
<td>1.5x</td>
<td>1.3x</td>
<td>1.3x</td>
<td>13.7x</td>
</tr>
<tr>
<td>Leidos Holdings, Inc.</td>
<td>NYSE:LDOS</td>
<td>$90.84</td>
<td>98.3%</td>
<td>$12,860</td>
<td>$15,769</td>
<td>$10,787</td>
<td>$1,063</td>
<td>9.9%</td>
<td>1.5x</td>
<td>1.4x</td>
<td>1.3x</td>
<td>1.3x</td>
<td>1.3x</td>
<td>13.3x</td>
</tr>
<tr>
<td>ManTech International Corporation</td>
<td>Nasdaq:MAN</td>
<td>$77.58</td>
<td>89.9%</td>
<td>$3,111</td>
<td>$3,230</td>
<td>$2,115</td>
<td>$182</td>
<td>8.6%</td>
<td>1.5x</td>
<td>1.5x</td>
<td>1.7x</td>
<td>1.4x</td>
<td>1.4x</td>
<td>15.8x</td>
</tr>
<tr>
<td>Parsons Corporation</td>
<td>NYSE:PSN</td>
<td>$40.03</td>
<td>98.7%</td>
<td>$3,973</td>
<td>$4,356</td>
<td>$3,846</td>
<td>$185</td>
<td>4.8%</td>
<td>1.1x</td>
<td>1.1x</td>
<td>1.7x</td>
<td>1.1x</td>
<td>1.1x</td>
<td>12.9x</td>
</tr>
<tr>
<td>Perspecta Inc.</td>
<td>NYSE:PRSP</td>
<td>$27.58</td>
<td>92.3%</td>
<td>$4,462</td>
<td>$7,310</td>
<td>$4,448</td>
<td>$559</td>
<td>12.6%</td>
<td>1.6x</td>
<td>1.6x</td>
<td>1.4x</td>
<td>1.4x</td>
<td>1.4x</td>
<td>9.4x</td>
</tr>
<tr>
<td>Science Applications International Corporation</td>
<td>NYSE:SAIC</td>
<td>$85.35</td>
<td>92.3%</td>
<td>$4,925</td>
<td>$7,075</td>
<td>$5,578</td>
<td>$469</td>
<td>8.4%</td>
<td>1.5x</td>
<td>1.5x</td>
<td>1.5x</td>
<td>1.4x</td>
<td>1.4x</td>
<td>12.2x</td>
</tr>
<tr>
<td>Median:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$4,816</td>
<td>$478</td>
<td>9.3%</td>
<td>1.5x</td>
<td>1.5x</td>
<td>1.5x</td>
<td>1.5x</td>
<td>1.5x</td>
<td>13.1x</td>
</tr>
<tr>
<td>Average:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$5,063</td>
<td>$475</td>
<td>9.1%</td>
<td>1.5x</td>
<td>1.4x</td>
<td>1.4x</td>
<td>1.3x</td>
<td>1.3x</td>
<td>13.1x</td>
</tr>
</tbody>
</table>

### Diversified IT

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Ticker</th>
<th>Stock Price at 11/29/2019</th>
<th>% of 52-Week High</th>
<th>Equity Value 11/29/2019</th>
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<th>EBITDA Margin</th>
<th>TEV / CY 2019 (E)</th>
<th>Total Sales</th>
<th>EBITDA</th>
<th>TEV / CY 2020 (P)</th>
<th>Total Sales</th>
<th>EBITDA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accenture plc</td>
<td>NYSE:ACN</td>
<td>$201.16</td>
<td>99.2%</td>
<td>$127,749</td>
<td>$122,060</td>
<td>$43,215</td>
<td>$6,923</td>
<td>16.0%</td>
<td>2.8x</td>
<td>2.8x</td>
<td>2.8x</td>
<td>2.6x</td>
<td>2.6x</td>
<td>15.4x</td>
</tr>
<tr>
<td>CGI Inc.</td>
<td>TSX:GIB.A</td>
<td>$82.82</td>
<td>99.1%</td>
<td>$22,187</td>
<td>$23,788</td>
<td>$9,149</td>
<td>$1,584</td>
<td>17.3%</td>
<td>2.6x</td>
<td>2.6x</td>
<td>2.6x</td>
<td>2.5x</td>
<td>2.5x</td>
<td>13.4x</td>
</tr>
<tr>
<td>Cognizant Technology Solutions Corporation</td>
<td>Nasdaq:CTSH</td>
<td>$64.11</td>
<td>85.7%</td>
<td>$35,104</td>
<td>$33,727</td>
<td>$16,628</td>
<td>$3,169</td>
<td>19.1%</td>
<td>2.0x</td>
<td>2.0x</td>
<td>2.0x</td>
<td>1.9x</td>
<td>1.9x</td>
<td>10.0x</td>
</tr>
<tr>
<td>International Business Machines Corporation</td>
<td>NYSE:IBM</td>
<td>$134.45</td>
<td>87.9%</td>
<td>$119,074</td>
<td>$179,880</td>
<td>$77,131</td>
<td>$16,664</td>
<td>21.6%</td>
<td>2.3x</td>
<td>2.3x</td>
<td>2.3x</td>
<td>2.3x</td>
<td>2.3x</td>
<td>9.5x</td>
</tr>
<tr>
<td>Perficient, Inc.</td>
<td>Nasdaq:PRFT</td>
<td>$42.28</td>
<td>97.7%</td>
<td>$1,379</td>
<td>$1,494</td>
<td>$552</td>
<td>$73</td>
<td>13.2%</td>
<td>2.7x</td>
<td>2.7x</td>
<td>2.7x</td>
<td>2.6x</td>
<td>2.6x</td>
<td>13.8x</td>
</tr>
<tr>
<td>SAP SE</td>
<td>DB:SAP</td>
<td>$135.70</td>
<td>98.5%</td>
<td>$162,397</td>
<td>$174,138</td>
<td>$29,374</td>
<td>$7,695</td>
<td>26.2%</td>
<td>N.M.</td>
<td>22.6x</td>
<td>N.M.</td>
<td>N.M.</td>
<td>16.1x</td>
<td>N.M.</td>
</tr>
<tr>
<td>Tyler Technologies, Inc.</td>
<td>NYSE:TYL</td>
<td>$290.17</td>
<td>98.8%</td>
<td>$11,313</td>
<td>$11,143</td>
<td>$1,040</td>
<td>$196</td>
<td>18.8%</td>
<td>N.M.</td>
<td>N.M.</td>
<td>N.M.</td>
<td>N.M.</td>
<td>N.M.</td>
<td>N.M.</td>
</tr>
<tr>
<td>Unisys Corporation</td>
<td>NYSE:UIS</td>
<td>$11.38</td>
<td>75.1%</td>
<td>$710</td>
<td>$1,064</td>
<td>$2,968</td>
<td>$251</td>
<td>8.5%</td>
<td>0.4x</td>
<td>0.4x</td>
<td>0.4x</td>
<td>0.4x</td>
<td>0.4x</td>
<td>2.1x</td>
</tr>
<tr>
<td>Xerox Holdings Corporation</td>
<td>NYSE:XRX</td>
<td>$38.93</td>
<td>98.6%</td>
<td>$8,416</td>
<td>$12,894</td>
<td>$9,228</td>
<td>$1,388</td>
<td>15.0%</td>
<td>1.5x</td>
<td>1.5x</td>
<td>1.5x</td>
<td>1.5x</td>
<td>1.5x</td>
<td>7.9x</td>
</tr>
<tr>
<td>Median:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$22,187</td>
<td>$1,584</td>
<td>17.3%</td>
<td>2.3x</td>
<td>2.3x</td>
<td>2.3x</td>
<td>2.3x</td>
<td>2.3x</td>
<td>11.7x</td>
</tr>
<tr>
<td>Average:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$21,032</td>
<td>$4,216</td>
<td>17.3%</td>
<td>2.1x</td>
<td>2.0x</td>
<td>2.0x</td>
<td>1.9x</td>
<td>1.9x</td>
<td>10.9x</td>
</tr>
</tbody>
</table>

Source: Capital IQ; Data as of 11/29/2019

Financial projections are sourced from Capital IQ consensus estimates; foreign traded companies are listed in U.S. dollars at 11/29/2019 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."); "N.A." indicates no Capital IQ consensus estimates are available.
GOVERNMENT IT BENCHMARKING

REVENUE GROWTH: CY18A & CY19E (1)

- PARSONS: CY18A 18%, CY19E 14%
- ManTech: CY18A 9%, CY19E 7%
- ICF: CY18A 14%, CY19E 6%
- CACI: CY18A 0%, CY19E 0%

LTM EBITDA MARGIN

- Perspecta: 13%
- Booz Allen Hamilton: 10%
- ICF: 10%
- CACI: 9%
- leidos: 9%
- ManTech: 8%
- SAIC: 5%

TOTAL DEBT TO LTM EBITDA RATIO

- Perspecta: 5.3x
- Booz Allen Hamilton: 4.9x
- ICF: 4.1x
- CACI: 3.4x
- leidos: 3.3x
- SAIC: 3.0x
- ManTech: 2.6x
- Parsons: 0.8x

CAPITAL STRUCTURE

- ManTech: Equity Funding 95%, Debt Funding 5%
- ICF: Equity Funding 89%, Debt Funding 11%
- CACI: Equity Funding 81%, Debt Funding 19%
- leidos: Equity Funding 81%, Debt Funding 19%
- Parsons: Equity Funding 78%, Debt Funding 22%
- SAIC: Equity Funding 75%, Debt Funding 25%
- Perspecta: Equity Funding 68%, Debt Funding 32%
- Booz Allen Hamilton: Equity Funding 60%, Debt Funding 40%

Sources: Raymond James Research, Capital IQ; Data as of 11/29/2019
(1) SAIC and Perspecta, Inc. excluded due to insufficient historical financial data
DIVERSIFIED IT BENCHMARKING

REVENUE GROWTH: CY18A & CY19E

- CY18A Revenue Growth
- CY19E Revenue Growth

LTM EBITDA MARGIN

- 26%
- 22%
- 19%
- 19%
- 17%
- 16%
- 15%
- 13%
- 8%

TOTAL DEBT TO LTM EBITDA RATIO

- 4.3x
- 3.7x
- 2.9x
- 2.3x
- 2.1x
- 1.1x
- 0.5x
- 0.1x
- 0.0x

CAPITAL STRUCTURE

- Equity Funding
- Debt Funding

Sources: Raymond James Research, Capital IQ; Data as of 11/29/2019
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