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AEROSPACE, DEFENSE, & GOVERNMENT SERVICES

Q3 2023 MARKET UPDATE

PUBLIC MARKETS
OVERVIEW

2

M&A
ACTIVITY

6

RECENTLY AWARDED
CONTRACTS

9

CONTACT
US

11

MARKET OUTLOOK

Activity remains robust in the Aerospace, Defense, and Government Services (“ADG”) sector despite headwinds from higher interest rates, an unsettled geopolitical backdrop, and concerns over a possible government shutdown. The global M&A market is historically slow through the third quarter of 2023, with activity heavily influenced by rapid changes in the interest rate environment. The 10-year Treasury increased over 70 bps during the third quarter of 2023, forcing both corporations and private investors to take a more disciplined approach to investment strategies. Additionally, the higher yield environment has slightly pushed down valuations, making solid performing companies more attractive targets.

Equally important, private investment funds, especially in the middle market segment, are sitting on deployable capital despite a more challenging macroeconomic environment and uncertain geopolitical backdrop. As fund lives begin to approach maturation, private investment vehicles will continue to deploy capital rapidly to meet investors’ expectations on current investments and quality new opportunities, while ensuring ongoing fundraising efforts for future funds are successful. As a traditional flight to quality in uncertain times, our team sees significant market tailwinds continuing for the ADG sector. ADG is historically less cyclical than the broader market in periods of uncertainty, recently evidenced by publicly-traded ADG companies outperforming the S&P 500 in 2023.
















An increasingly fractured global economy, volatile geopolitical environment, persistent inflationary pressures, and rising interest rates are making these defensive investments look increasingly attractive. Paired with near-record dry powder and still attractive valuations, we believe current market forces will continue to shape a favorable M&A environment for ADG companies, especially in the middle market. We continue to see this trend firsthand as our transaction volume and client list remains robust.

Sam DiPaola & Steve Prichett

- Sam DiPaola and Steve Prichett, Managing Directors



RECENT INDUSTRY EXPERIENCE

 was acquired by  Sell-Side Advisory	 was acquired by  a portfolio company of  Sell-Side Advisory	 was acquired by  a portfolio company of  Sell-Side Advisory	 was acquired by  a portfolio company of  Sell-Side Advisory	 was acquired by  Sell-Side Advisory	 was acquired by  Sell-Side Advisory
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PUBLICLY TRADED COMPANIES

ADG segments continue to trend upwards in tandem with broader market conditions.

ADG SECTOR OVERVIEW

GOVERNMENT SERVICES



Government Services includes companies that provide enterprise and mission-level expertise to civilian, IC, and DoD agencies.

DIVERSIFIED CONTRACTORS



Diversified Contractors comprises organizations that deliver products to enhance civilian and IC operations.

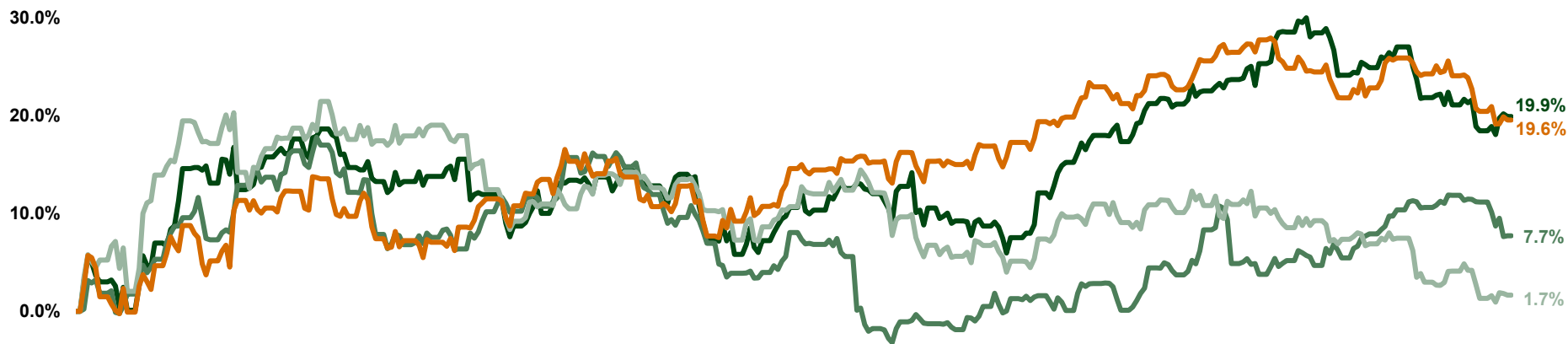
AEROSPACE & DEFENSE



Aerospace & Defense encompasses contractors that build and deploy mission-critical technology for DoD agencies.

LTM INDEX PERFORMANCE¹

— Government Services — Diversified Contractors — Aerospace & Defense — S&P 500

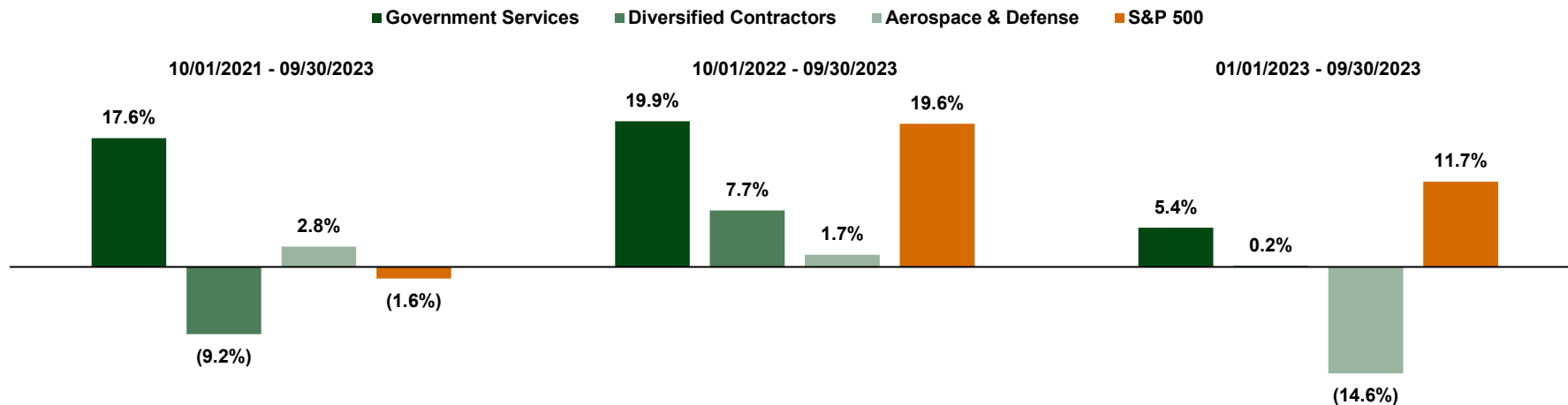


Source: S&P Capital IQ as of 09/30/2023

1) Index and S&P 500 performance assumes equal weighting of holdings

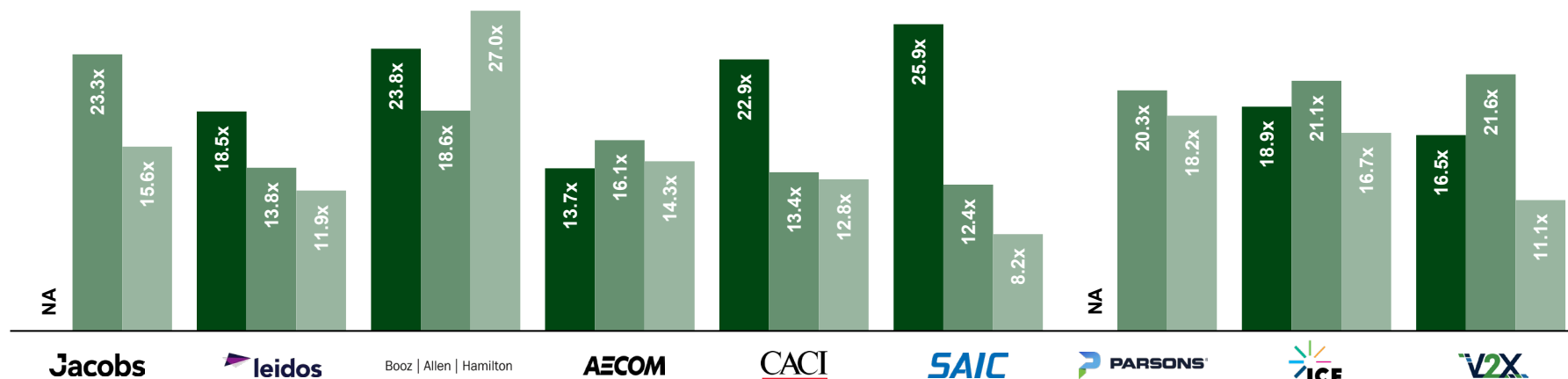
PUBLICLY TRADED COMPANIES

COMPARATIVE INDEX PERFORMANCE



IMPLIED EV / EBITDA VALUATION MULTIPLES – GOVERNMENT SERVICES¹

Legend: 09/30/2021 (Dark Green), 09/30/2022 (Medium Green), 09/30/2023 (Light Green)



Source: S&P Capital IQ as of 09/30/2023 (assumes equal weighting for comparative index performance)

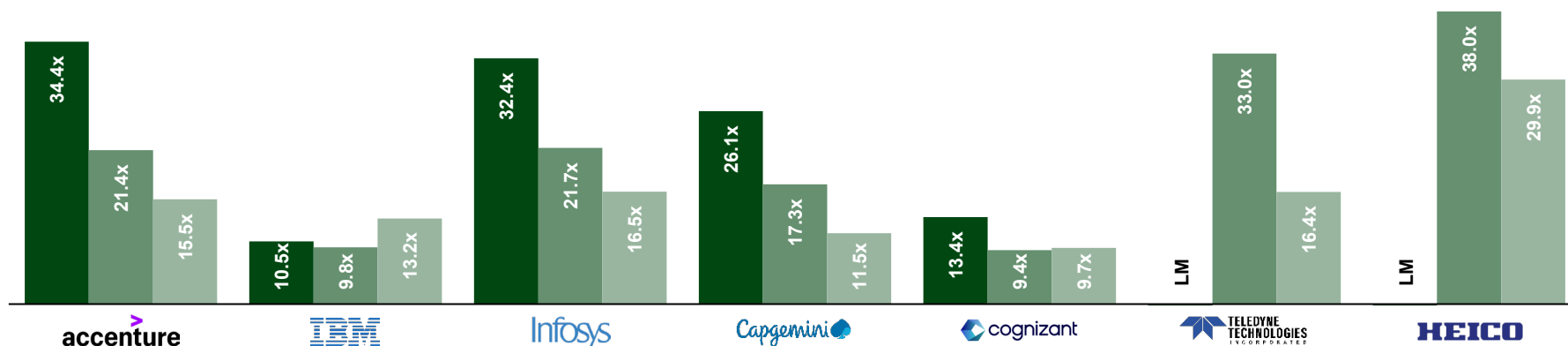
Note: EV = Enterprise Value; EBITDA = Earnings Before Interest, Taxes, and Depreciation & Amortization

1) EV / EBITDA multiples above 40.0x denoted as large multiple ("LM") and companies with negative EBITDA figures denoted as not applicable ("NA")

PUBLICLY TRADED COMPANIES (CONT.)

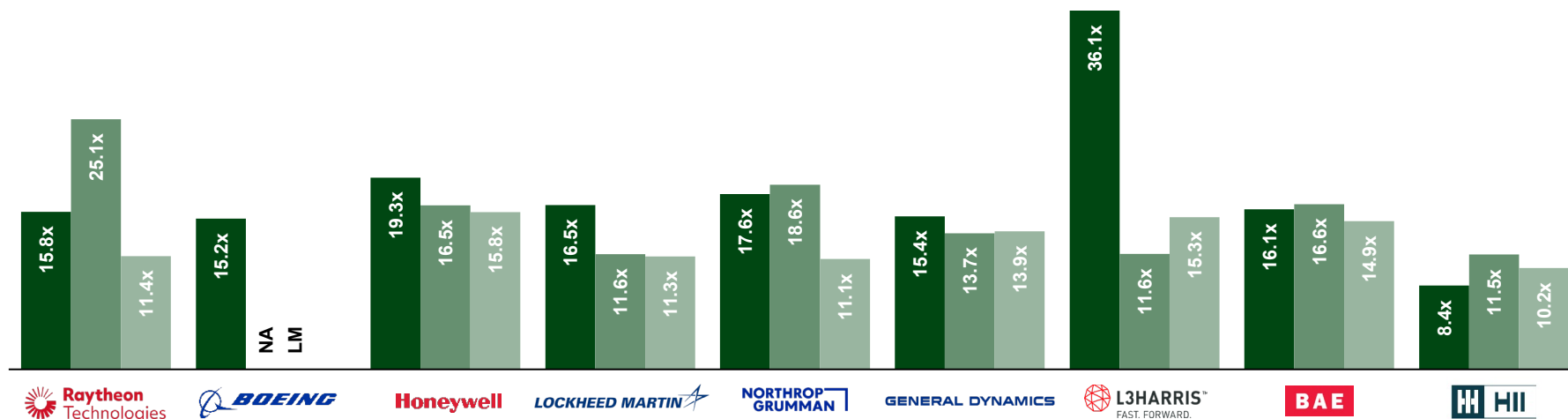
IMPLIED EV / EBITDA VALUATION MULTIPLES – DIVERSIFIED CONTRACTORS¹

■ 09/30/2021 ■ 09/30/2022 ■ 09/30/2023



IMPLIED EV / EBITDA VALUATION MULTIPLES – AEROSPACE & DEFENSE¹

■ 09/30/2021 ■ 09/30/2022 ■ 09/30/2023



Source: S&P Capital IQ as of 09/30/2023

1) EV / EBITDA multiples above 40.0x denoted as large multiple ("LM") and companies with negative EBITDA figures denoted as not applicable ("NA")

PUBLICLY TRADED COMPANIES

\$ millions (excl. stock price)

	Company Name	Stock Ticker	Stock Price	% of 52-Week High	Market Cap	Enterprise Value	LTM			EV / LTM	
							Total Revenue	EBITDA	EBITDA Margin	Total Revenue	EBITDA ¹
Government Services	Jacobs Solutions Inc.	NYSE:J	\$136.50	99.4%	\$17,188	\$20,715	\$15,945	\$1,332	8.4%	1.3x	15.6x
	Leidos Holdings, Inc.	NYSE:LDOS	\$92.16	83.4%	\$12,658	\$17,827	\$14,842	\$1,504	10.1%	1.2x	11.9x
	Booz Allen Hamilton Holding Corporation	NYSE:BAH	\$109.27	97.9%	\$14,319	\$17,215	\$9,664	\$637	6.6%	1.8x	27.0x
	AECOM	NYSE:ACM	\$83.04	91.1%	\$11,520	\$13,349	\$13,962	\$932	6.7%	1.0x	14.3x
	CACI International Inc	NYSE:CACI	\$313.93	92.1%	\$7,113	\$9,069	\$6,703	\$709	10.6%	1.4x	12.8x
	Science Applications International Corporation	NYSE:SAIC	\$105.54	91.6%	\$5,587	\$7,620	\$7,689	\$932	12.1%	1.0x	8.2x
	Parsons Corporation	NYSE:PSN	\$54.35	109.4%	\$5,701	\$6,530	\$4,767	\$359	7.5%	1.4x	18.2x
	ICF International, Inc.	NasdaqGS:ICFI	\$120.81	95.8%	\$2,273	\$3,085	\$1,927	\$185	9.6%	1.6x	16.7x
	V2X, Inc.	NYSE:VVX	\$51.66	104.1%	\$1,611	\$2,777	\$3,858	\$251	6.5%	0.7x	11.1x
	Mean			96.1%					8.7%	1.3x	15.1x
	Median			95.8%					8.4%	1.3x	14.3x
Diversified Contractors	Accenture plc	NYSE:ACN	\$307.11	94.9%	\$193,724	\$188,589	\$64,112	\$12,154	19.0%	2.9x	15.5x
	International Business Machines Corporation	NYSE:IBM	\$140.30	93.2%	\$127,814	\$171,890	\$60,525	\$12,985	21.5%	2.8x	13.2x
	Infosys Limited	NSEI:INFY	\$17.28	84.7%	\$71,505	\$70,428	\$18,385	\$4,280	23.3%	3.8x	16.5x
	Capgemini SE	ENXTPA:CAP	\$175.49	85.2%	\$30,169	\$35,181	\$22,733	\$3,070	13.5%	1.5x	11.5x
	Cognizant Technology Solutions Corporation	NasdaqGS:CTSH	\$67.74	95.9%	\$34,212	\$33,598	\$19,394	\$3,464	17.9%	1.7x	9.7x
	Teledyne Technologies Incorporated	NYSE:TDY	\$408.58	91.3%	\$19,234	\$22,227	\$5,590	\$1,354	24.2%	4.0x	16.4x
	HEICO Corporation	NYSE:HEI	\$161.93	90.5%	\$19,646	\$20,556	\$2,641	\$688	26.1%	7.8x	29.9x
	Mean			90.8%					20.8%	3.5x	16.1x
	Median			91.3%					21.5%	2.9x	15.5x
Aerospace & Defense	RTX Corporation	NYSE:RTX	\$71.97	68.8%	\$104,506	\$137,645	\$70,573	\$12,088	17.1%	2.0x	11.4x
	The Boeing Company	NYSE:BA	\$191.68	86.5%	\$115,622	\$154,152	\$73,608	\$1,075	1.5%	2.1x	LM
	Honeywell International Inc.	NasdaqGS:HON	\$184.74	84.0%	\$122,660	\$136,857	\$36,147	\$8,656	23.9%	3.8x	15.8x
	Lockheed Martin Corporation	NYSE:LMT	\$408.96	81.6%	\$102,989	\$116,861	\$67,393	\$10,301	15.3%	1.7x	11.3x
	Northrop Grumman Corporation	NYSE:NOC	\$440.19	80.2%	\$66,601	\$80,327	\$37,881	\$7,243	19.1%	2.1x	11.1x
	General Dynamics Corporation	NYSE:GD	\$220.97	86.4%	\$60,226	\$70,557	\$40,859	\$5,081	12.4%	1.7x	13.9x
	L3Harris Technologies, Inc.	NYSE:LHX	\$174.12	68.9%	\$32,932	\$42,193	\$17,988	\$2,760	15.3%	2.3x	15.3x
	BAE Systems plc	LSE:BA.	\$12.18	95.1%	\$36,950	\$41,354	\$22,516	\$2,776	12.3%	1.8x	14.9x
	Huntington Ingalls Industries, Inc.	NYSE:HII	\$204.58	79.5%	\$8,156	\$10,947	\$10,899	\$1,073	9.8%	1.0x	10.2x
	Mean			81.2%					14.1%	2.1x	13.0x
	Median			81.6%					15.3%	2.0x	12.6x

Source: S&P Capital IQ as of 09/30/2023

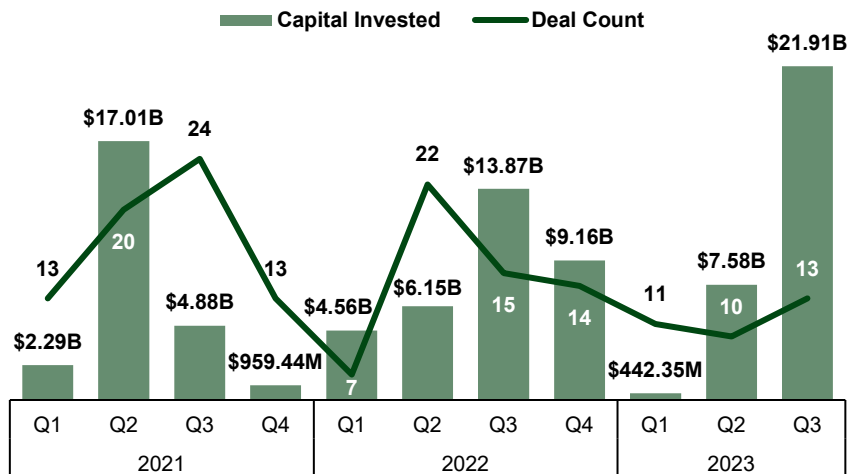
Note: LTM = Last Twelve Months

1) EV / EBITDA multiples above 40.0x denoted as large multiple ("LM") and companies with negative EBITDA figures denoted as not applicable ("NA")

ADG M&A ENVIRONMENT

Strong middle market M&A activity continues.

ANNOUNCED ADG TRANSACTIONS



ACTIVE MARKET PARTICIPANTS



SELECT ACTIVE MARKET PARTICIPANTS

PUBLIC



8

Acquisitions since 2020

SELECT RECENT ACQUISITIONS

Ball Aerospace (08/17/2023)

Radio Freq. Sys. (06/29/2023)



7

Acquisitions since 2020

SELECT RECENT ACQUISITIONS

Sealing Tech. (08/23/2023)

IPKeys (04/14/2023)

PRIVATE EQUITY



18

Acquisitions since 2020

SELECT RECENT ACQUISITIONS

Emergent (06/07/2023)

Yingling Aviat. (05/31/2023)



14

Acquisitions since 2020

SELECT RECENT ACQUISITIONS

PRKK (09/06/2023)

Integrated DS (08/01/2023)

PE-BACKED¹



2

Acquisitions since 2020

SELECT RECENT ACQUISITIONS

Secure Innov. (06/1/2023)

INNOPLEX (05/16/2023)

STANDALONE



6

Acquisitions since 2020

SELECT RECENT ACQUISITIONS

ZIN Tech. (03/13/2023)

Space Micro (11/22/2021)

Source: Pitchbook

1) iNovex is financially sponsored by Enlightenment Capital

M&A SPOTLIGHT

Well-managed businesses and those having defensible intellectual property are seeing competitive processes and successful outcomes.



09/29/2023

was acquired by

PUBLIC
PINX:CYBL

Tactical communications equipment developer that enables users to establish and maintain voice, data, and video connectivity



09/21/23

was acquired by

PUBLIC
NAS:CSCO

Leader in AI-enabled security and digital resilience, using data analytics to provide real-time feedback



09/13/23

was acquired by

ManTech.
a portfolio company of
CARLYLE
PE-BACKED
STRATEGIC
(CARLYLE)

Provider of government technology services, offering cloud, cyber, DevSecOps, and data engineering capabilities



09/07/23

was acquired by

SPA
a portfolio company of
ACP
PE-BACKED
STRATEGIC
(ACP)

Provider of cross-domain analyses and studies to advance space domain awareness and space superiority



08/23/23

was acquired by

PUBLIC
NYSE:PSN

Defensive cyber operations, AI / ML, edge computing, critical infrastructure protection, and secure data management



08/22/23

was acquired by

PUBLIC
NAS:AVAV

Developer of AI-enabled robotics control systems for uses across the Department of Defense and the defense industry



08/17/23

was acquired by

PUBLIC
LSE:BA.

Manufacturer of spacecraft, components, and specialized aerial systems for defense and civil applications





























08/03/23

was acquired by

ACP
PRIVATE
EQUITY










Provider of software and technology-enabled support and development for the Air Force, Army, Space Force, and other defense agencies

RECENT TRANSACTIONS

DATE	TARGET	ACQUIRER	ACQUIRER TYPE	TARGET DESCRIPTION
09/27/2023			Private Equity	Provider of business collaboration platforms, serving clients in aerospace, defense, life sciences, and healthcare
09/26/2023			PE-Backed Strategic (TA Associates)	Assembly-focused leader in Product Lifecycle Management (PLM) and Manufacturing Execution Systems (MES)
09/26/2023	 US Marine Management, LLC		Private Equity	Provider of tanker and military support vessels and operating and maintaining U.S. government-owned vessels
09/20/2023			Private Equity	Developer of digital transformation and modernization platforms for the Defense and Intelligence communities
09/15/2023			Operating Subsidiary (RUAG International)	Advanced space-based and airborne electro-optical payload developer
09/08/2023			Private	Provider of engineering, project management, and process improvement solutions for government agencies
09/06/2023			Public (NYSE:AME)	Designer and manufacturer of high-performance test, measurement, simulation, and control solutions
09/01/2023			PE-Backed Strategic (Trive Capital)	Full-service manufacturer of microwave, thermal management, and controls solutions
08/31/2023			Public (NYSE:B)	Leading provider of precision aero-engine component manufacturing and repair services
08/25/2023			Operating Subsidiary (Noblis, Inc.)	Startup developer of satellite autonomy software
08/15/2023			PE-Backed Strategic (Renovus Capital Partners)	Professional services firm offering IT Technology and Management Services and Solutions to government clients
08/08/2023			PE-Backed Strategic (Veritas Capital)	Manufacturer of high-power RF amplifier modules and switches for use in military vehicles
07/28/2023			Public	Manufacturer of rockets, hypersonic, and propulsion systems for the space and defense industries and civil applications

SELECT AWARDED CONTRACTS

Awards reflect competing fiscal needs and shifting priorities.

DATE	CUSTOMER	AWARD VALUE (\$M)	AWARDEE(S)	SCOPE OF WORK
09/28/2023	U.S. Defense Health Agency	\$1,530	Six Awardees	Comprehensive health care support services for military retirees, active-duty personnel, and family members
09/26/2023	U.S. Department of the Air Force	\$705		Design and testing of the next-generation Stand-in Attack Weapon missile system
09/22/2023	U.S. Department of the Navy	\$1,000	Eight Awardees	Facility repair, renovation, alteration, and new construction for Naval Facilities Engineering Systems Command NW
09/21/2023	U.S. Department of Defense	\$3,130		Microelectronic products and trusted processes for the Defense Microelectronics Activity
09/21/2023	U.S. Department of the Navy	\$950	Five Awardees	Design-build or design-bid-build projects supporting Naval Facilities Engineering Systems Command Washington
09/21/2023	U.S. Space Force	\$750	Three Awardees	Construction and engineering services to meet Space Force and DoD requirements
09/20/2023	U.S. Department of the Navy	\$517		Maintenance and component supply for Virginia-class attack submarines
09/18/2023	U.S. Department of the Air Force	\$499		Operation of a federally funded research and development center focusing on cybersecurity and other technical areas
09/13/2023	U.S. Department of the Army	\$730		Perform upgrades and replacement of FIM-92 Stinger missiles for the U.S. Army
09/13/2023	U.S. Department of the Navy	\$458		Navigation, controls, tactical mission computers, and display system modernization of E-2D Advanced Hawkeye
09/07/2023	U.S. Department of the Navy	\$14,600		Construction of Flight III Arleigh Burke-class destroyers
09/06/2023	U.S. Department of the Air Force	\$600		Mission planning system support for the UNIX-Mission Planning System and joint precision airdrop system
09/05/2023	U.S. Department of the Army	\$797		Additional units and variants of the AMPV armored vehicle

SELECT AWARDED CONTRACTS

Awards reflect competing fiscal needs and shifting priorities.

DATE	CUSTOMER	AWARD VALUE (\$M)	AWARDEE(S) ¹	SCOPE OF WORK
09/01/2023	U.S. Department of the Army	\$7,900	 leidos	CHS-6 IT equipment Hardware systems, components, and continuous technology updates
08/30/2023	U.S. Space Force	\$575	 SAIC	Upgrade and sustainment of a global network of ground-based radar systems
08/30/2023	U.S. Forest Service	\$1,500	Forty-Four Awardees	Type 2 helicopters in support of wildland fire management initiatives, including fire suppression and monitoring
08/25/2023	U.S. Department of the Navy	\$2,700	 SIKORSKY <small>A LOCKHEED MARTIN COMPANY</small>	Development and delivery of 35 CH-53K King Stallion heavy-lift helicopters
08/21/2023	U.S. Department of the Navy	\$592	 amentum >	Technical services and life-cycle support for the Naval Undersea Warfare Center
08/07/2023	U.S. Marshals Service	\$1,930	 WALDEN <small>SECURITY®</small>	Protective services for federal court houses
08/03/2023	U.S. Department of the Navy	\$818	 amentum >	Modernization and maintenance of F-16 Viper fighter jets used in air combat training
07/24/2023	U.S. Defense Information Systems Agency	\$900	Sixteen Awardees	Satellite communication services for the Space Systems Command's Satellite Communications Office
07/24/2023	U.S. Department of Defense	\$750	Eleven Awardees	Small-caliber ammunition products for the U.S. Special Operations Command
07/17/2023	U.S. Department of the Army	\$947	 amentum >	Life-cycle support services for the Army's fixed-wing aircraft fleet, including C-12, C-26, T-6, and UC-35 platforms
07/14/2023	U.S. Department of Energy	\$5,870	Southern Ohio Cleanup Company	Decontamination and decommissioning work on a gaseous diffusion plant in Portsmouth, Ohio
07/10/2023	U.S. Department of the Army	\$610	Seven Awardees	Program support and related services for live, virtual, constructive, and gaming integrated training systems
07/05/2023	U.S. Defense Health Agency	\$2,400	Six Awardees	Enterprise information technology services to medical treatment facilities for the Global Service Providers

Source: GovConWire

1) Southern Ohio Cleanup Company is an LLC formed by Amentum, Fluor, and Cavendish Nuclear

EVERGREEN'S OBSERVATIONS

Evergreen Advisors Capital foresees continued strength in the ADG space amongst a tightening financial environment.

**STRATEGIC AND FINANCIAL BUYERS CONTINUE TO
EXECUTE ACQUISITIONS DIVERSIFYING AND ALIGNING
WITH SHIFTING FISCAL PRIORITIES**



*PRIVATE CAPITAL MAINTAINS SUFFICIENT DRY POWDER
AND CONTINUED FOCUS ON THE ADG SECTOR*



*EXPECTED CONSOLIDATION ACTIVITY AND
PRIVATE INVESTMENT TRENDS TO CONTINUE THROUGH
2023 AND INTO THE ELECTION CYCLE*

**CREDIT TIGHTENING AND DEBT PRICING IS HAVING
MINIMAL IMPACT ON PACE OF DEAL ACTIVITY**



*QUALITY, WELL-MANAGED BUSINESSES ARE SEEING
INTEREST FROM MULTIPLE BUYERS IN
COMPETITIVE DEAL PROCESSES*



*CYBERSECURITY, SPACE DEFENSE / SUPERIORITY,
ENTERPRISE SOLUTIONS, AND DEFENSIBLE INTELLECTUAL
PROPERTY REMAIN HIGH PRIORITY*

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