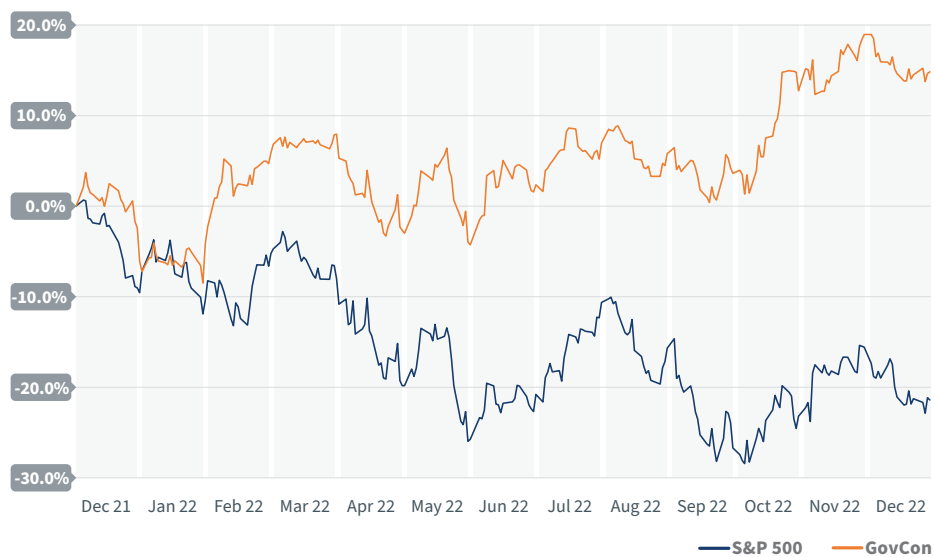


# COHNREZNICK GOVERNMENT CONTRACTOR VALUATION H2 2022 TRACKER

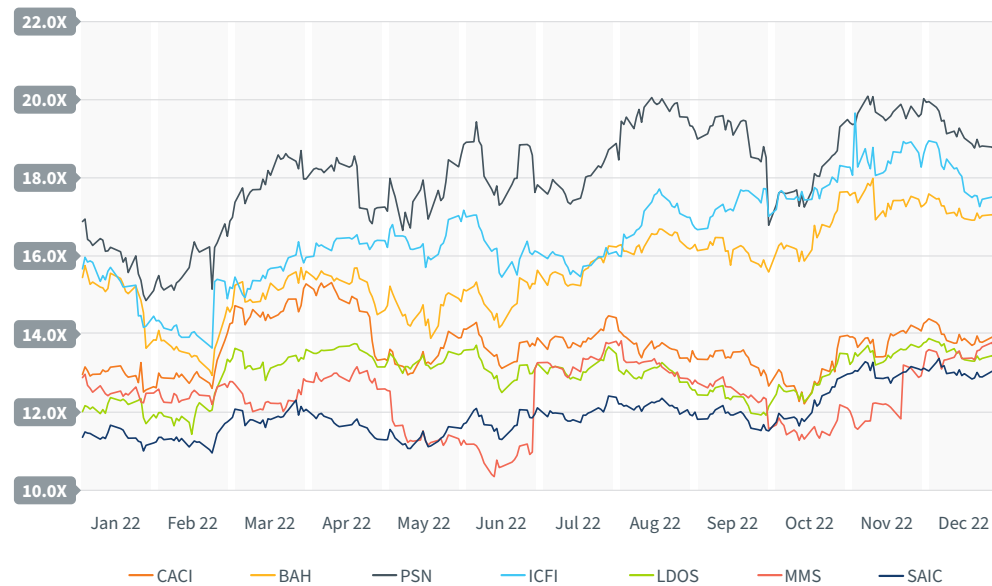
Welcome to the third edition of our Government Contractor Valuation semi-annual update. This update includes key valuation indicators to help GovCon management teams and investors keep track of industry valuation benchmarks and trends. We will continue to update this information on a semi-annual basis.

## GOVERNMENT SERVICES COMPOSITE VS S&P 500



The returns for this select group of public government services contractors\* outperformed the S&P500 from February 2022. Rising interest rates that have disproportionately impacted the tech sector, and recessionary fears, may have contributed to the outperformance of government contractors, which tend to be counter-cyclical. In addition, rising geopolitical risks and the continuing war in Ukraine have also strengthened defense-oriented government contractors.

## EV/TTM EBITDA H2 2022 LOOKBACK



Public government services contractors generally traded between 11.0x to 20.0x EBITDA. The median EBITDA multiple has remained stable throughout 2022 ranging from 13.0x to 15.0x. PSN, ICFI, and BAH outperformed in this group. The upper quartile of the multiples increased from 15.5x at the beginning of the year to over 17.0x at calendar year-end.

\*Contractors included in composite are: CACI, BAH, PSN, ICFI, LDOS, MMS, SAIC.

## Mergers & Acquisitions in the Last Twelve Months

| Transaction Date | Target Name                         | Acquirer Name                              | Net Sales (\$M) | EBITDA (\$M) | EBITDA Margin % | Enterprise Value | EV/Net Sales | EV/EBITDA |
|------------------|-------------------------------------|--|-----------------|--------------|-----------------|------------------|--------------|-----------|
| 11/28/2022       | Avantus Federal                     | Qinetiq                                    | 298             | 36           | 11.9%           | 520              | 1.7x         | 14.6x     |
| 9/14/2022        | ManTech International Corporation   | The Carlyle Group Inc.                     | 2,596           | 318          | 12.2%           | 4,337            | 1.7x         | 13.6x     |
| 7/7/2022         | GTY Technology Holdings Inc.        | GI Manager L.P.                            | 63              | NA           | NA              | 417              | 6.6x         | NM        |
| 7/5/2022         | Vectrus                             | Vertex Aerospace                           | 1,783           | 153          | 8.6%            | 2,100            | 1.2x         | 11.7x     |
| 6/9/2022         | SemanticBits                        | ICFI                                       | 135             | NA           | NA              | 220              | 1.6x*        | NA        |
| 5/31/2022        | Xator Corporation                   | Parsons Corporation                        | 300             | 32           | 10.7%           | 343              | 1.1x**       | 10.7x**   |
| 4/25/2022        | RE2, Inc.                           | Sarcos Technology and Robotics Corporation | 15              | NA           | NA              | 80               | 5.3x         | NA        |
| 2/15/2022        | PAE Incorporated                    | Amentum Government Services Holdings LLC   | 2,973           | 219          | 7.4%            | 1,913            | 0.6x         | 8.7x      |
| 1/31/2022        | Vitalyst, LLC                       | Alithya Group Inc.                         | 26              | 10           | 38.3%           | 45               | 1.7x         | 4.5x      |
| 1/10/2022        | Integrated Laboratory Systems, Inc. | Inotiv, Inc.                               | 20              | NA           | NA              | 53               | 2.6x         | NA        |

| Enterprise Value Multiples | Net Sales (\$M) | EBITDA (\$M) | EBITDA Margin % | Enterprise Value | EV/Net Sales | EV/EBITDA   |
|----------------------------|-----------------|--------------|-----------------|------------------|--------------|-------------|
| 25th Percentile            | 25              | 27           | 8.3%            | 73               | 1.2x         | 7.7x        |
| <b>Median</b>              | <b>99</b>       | <b>93</b>    | <b>9.6%</b>     | <b>282</b>       | <b>1.7x</b>  | <b>9.7x</b> |
| 75th Percentile            | 671             | 170          | 17.6%           | 791              | 3.3x         | 10.9x       |

We tracked 10 transactions in the GovCon space that closed or were announced over the last 12 months with publicly disclosed valuation multiples. The median EBITDA multiple was 9.7x and below the public company valuation multiples. The most recently available transaction is Qinetiq's acquisition of Ashburn, Virginia-based Avantus Federal by private equity firm NewSpring Holdings for \$520 million (excluding acquired tax asset of \$70 million) that implied an EV/LTM EBITDA multiple of 14.6x. Avantus Federal focuses on cybersecurity, data analytics, and software development for the DoD, DHS, and the intelligence community.

**TTM** = Trailing twelve month; **EBITDA** = Earnings before interest, taxes, depreciation, and amortization, GovCon composite based on straight average with no regard to size or other factors | \* Reflects forward Y1 multiples; \*\* Reflects forward Y2 multiples



## CONTACT

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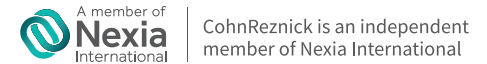


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