# SECTORWATCH: Government Integrators February 2018



### SECTORWATCH: Government Integrators February 2018

7 MILE ADVISORS

- Sector Dashboard
- Public Basket Performance
- Operational Metrics
- Valuation Comparison
- Recent Deals
- Appendix



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### **OVERVIEW**



#### Dashboard

summary metrics on the sector, with commentary on market momentum by comparing the most recent 12-month performance against the last 3-year averages



#### Public Basket Performance

summary valuation and operating metrics for a basket of comparable public companies



#### Valuation Comparison

a more graphical, detailed comparison of valuation multiples for the public basket



Recent Deals

the most recently announced sector deals

### About Us

7MA provides Investment Banking & Advisory Services to the Business Services and Technology Industries globally.

We advise on M&A and private capital transactions, and provide market assessments and benchmarking. As a close knit team with a long history together and a laser focus on our target markets, we help our clients sell their companies, raise capital, grow through acquisitions, and evaluate new markets.

#### Sectorwatch

We publish sectorwatch, a review of M&A and operational trends in the industries we focus.

#### Let us know if we can help

Contact us if there are ways we can assist your M&A or financing strategy.



# DASHBOARD

## **Revenue Growth Momentum**

- **1.0%**
- 1 year revenue growth compared to revenue growth average for last 3 years

Current revenue growth rate exceeds the average of the last 3 years by this amount, indicating that market momentum is increasing

# Pricing / Gross Margin Momentum

**↓-0.5%** 

1 - year gross profit % compared to gross profit % average for last 3 years

Current gross profit margin is less than the average of the last 3 years gross profit margins, indicating customer pricing power

## **Profitability Momentum**

**-0.1%** 

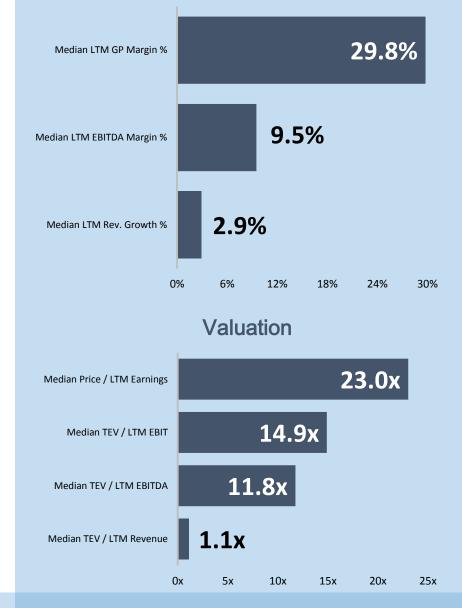
1 - year EBITDA % compared to EBITDA % average for last 3 years

Current EBITDA margin is less than the average of the last 3 years EBITDA margins, which may signal further consolidation

#### PUBLIC BASKET CONSTITUENTS

NasdaqGS:ICFI	TSX:GIB.A
NasdaqGS:MANT	NYSE:DXC
NYSE:SAIC	NYSE:ACN
NYSE:CACI	NYSE:IBM
NYSE:BAH	

### **Operating Metrics**



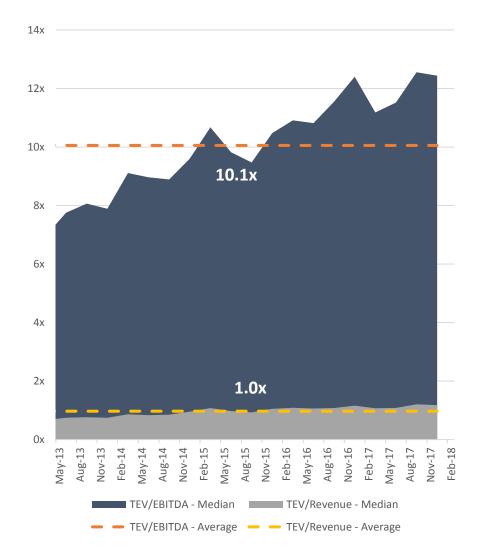


## PUBLIC BASKET PERFORMANCE

Company	TEV \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
ICF International, Inc.	1,189	1,198	2%	38%	9%	1.0	10.5	5,000	240
ManTech International Corporation	1,749	1,649	2%	15%	8%	1.1	13.8	7,000	236
Science Applications International Corporation	3,803	4,352	-3%	10%	7%	0.9	12.5	15,500	281
CACI International Inc	4,604	4,397	4%	33%	8%	1.0	12.3	18,600	236
Booz Allen Hamilton Holding Corporation	6,835	6,118	8%	23%	9%	1.1	11.8	23,300	263
CGI Group Inc.	16,869	8,760	3%	30%	17%	1.9	11.7	71,000	123
DXC Technology Company	31,836	20,151	168%	25%	15%	1.6	10.4	-	NA
Accenture plc	89,949	35,858	7%	32%	16%	2.5	15.4	425,000	84
International Business Machines Corporation	171,013	79,139	-1%	46%	21%	2.2	10.5	-	NA
Average	36,427	17,958	21%	28%	12%	1.5	12.1	62,822	209
Median	6,835	6,118	3%	30%	9%	1.1	11.8	15,500	236

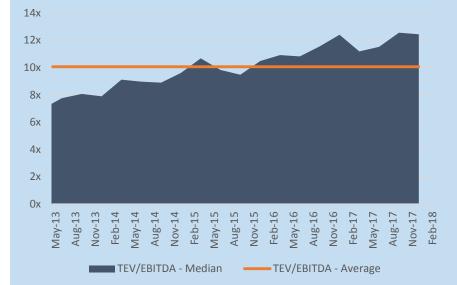
share price as of 09Feb18



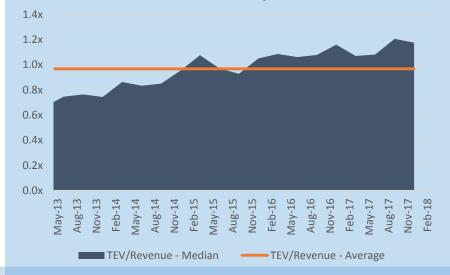


### PUBLIC BASKET VALUATION TRENDS

Public EBITDA Multiples Over Time

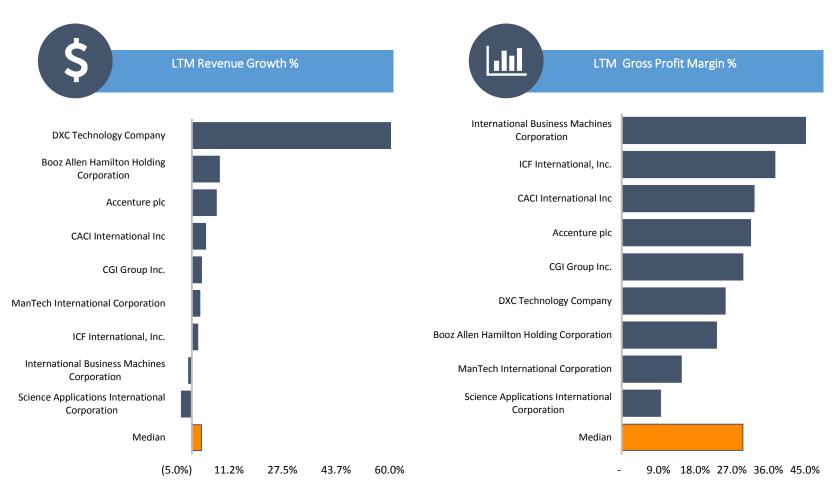


**Public Revenue Multiples Over Time** 



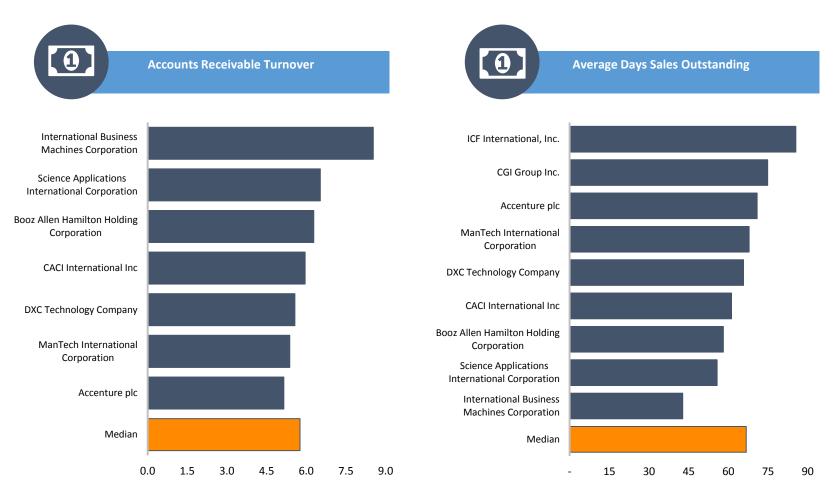


# **OPERATIONAL METRICS**



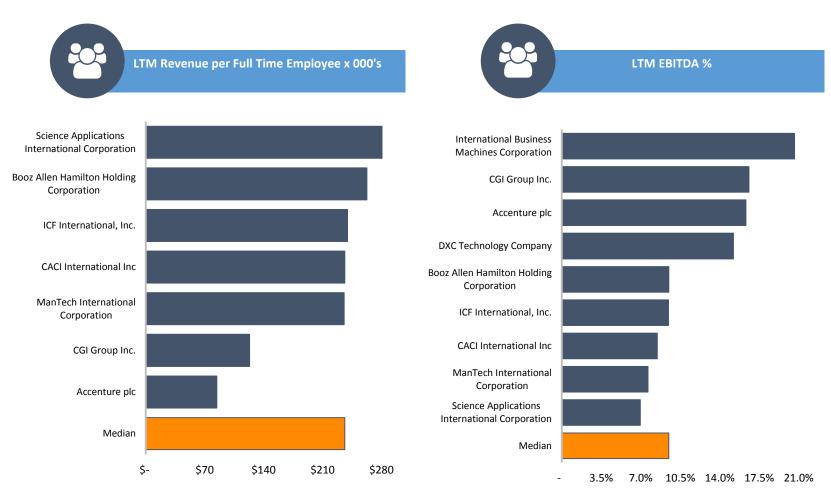


# **OPERATIONAL METRICS**



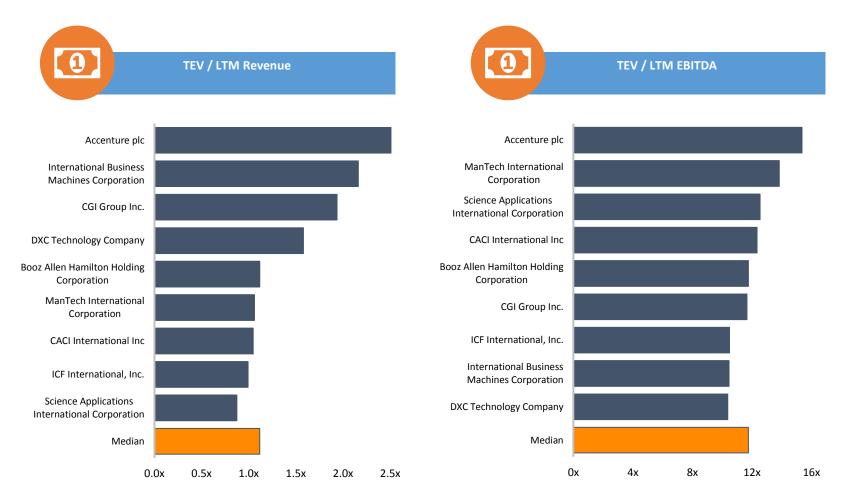


# **OPERATIONAL METRICS**



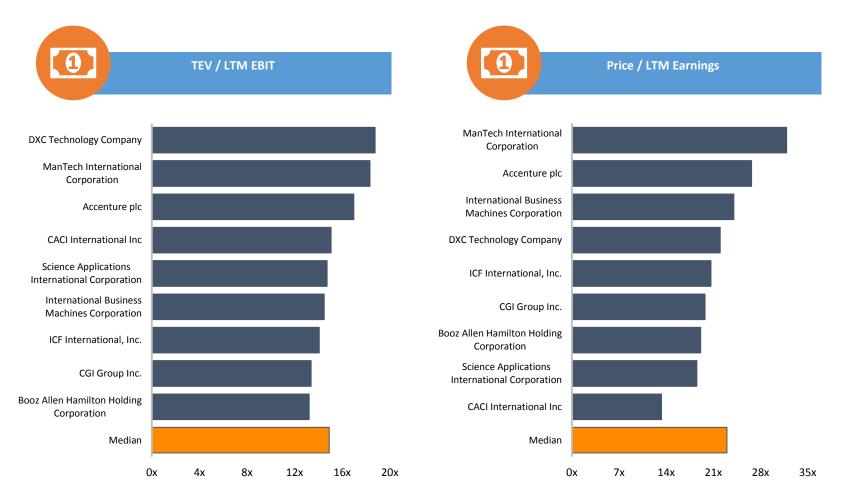


# VALUATION



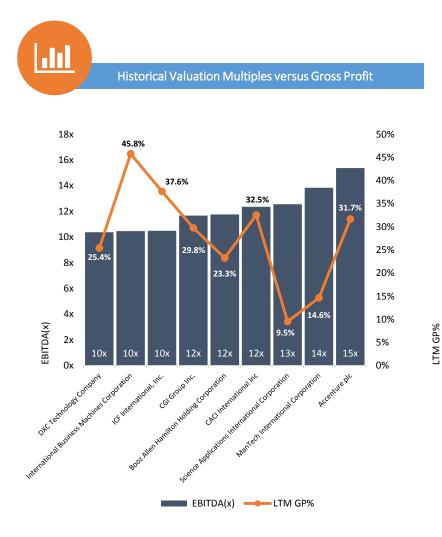


## VALUATION



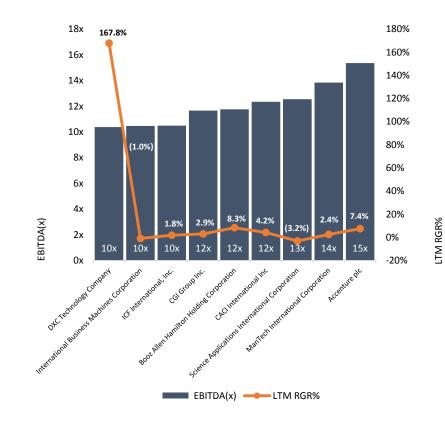


# VALUATION



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Historical Valuation Multiples versus Revenue Growth Rate





## **RECENT TRANSACTIONS**

Date	Target	Buyer	Total Transaction Value	Target Revenue	TEV / Revenue	TEV / EBITDA
15Dec17	Alexander Open Systems, Inc. (nka:AOS, a ConvergeOne Company)	ConvergeOne, Inc.	65.86		-	-
15Sep17	InfoZen, Inc.	ManTech International Corporation	180.00	-	-	-
2Jul17	NCI, Inc.	H.I.G. Capital, LLC; HIG Middle Market LBO Fund II	289.24	325.44	0.9x	9.6x
27Jun17	Brocade Communications Systems, Inc., Certain U.S. Federal Cleared Assets	Hitachi Data Systems Federal Corporation (nka:Hitachi Vantara Federal Corporation)	-	-	-	-
7Jun17	Phase One Consulting Group, Inc.	Accenture Federal Services LLC	-	-	-	-
15May17	By Light Professional IT Services, Inc.	Sagewind Capital LLC	-	-	-	-
1May17	The Paciello Group, LLP	Freedom Scientific Inc.	-	-	-	-
18Apr17	InfoReliance Corporation	ECS Federal, Inc.	-	-	-	-
10Apr17 3Apr17	Human Solutions, Inc. Zycron, Inc.	Oasis Systems, LLC BG Staffing, LLC	- 22.99	- 38.30	- 0.6x	-
23Mar17	Certified Security Solutions, Inc.	-	2.50		-	-
20Mar17	Communication Cable Company	Optiv Security Inc.	-	-	-	-
3Mar17 18Feb17	New Era Technology, Inc. Preferred Systems Solutions, Inc.	- STG Group, Inc.	1.75 119.80			-
6Feb17	Information Innovators Inc.	Salient CRGT, Inc.	-	-	-	-
26Jan17	Peraton Corporation	Veritas Capital Fund Management, LLC	690.00	1,000.00	0.7x	-
25Jan17	Telos Corporation	-	11.00	134.87	-	-
17Jan17	M&S Technologies, Inc.	Kudelski Security	-	-	-	-
30Nov16	Data Connect Corporation	Predictive Compliance LLC	-	-	-	-
25Nov16	Proficio, Inc.	Kayne Anderson Capital Advisors, L.P.	12.00	-	-	-
15Nov16	Delta Risk LLC	TCG Diamond Holdings, LLC	3.00	-	-	-
10Feb16	Enterprise 24x7 Inc.	e&e IT Consulting Services, Inc.	-	-	-	-
5Oct16	Defense Point Security, LLC	Accenture Federal Services LLC	-	-	-	-
16Aug16	Digital Management, Inc.	-	4.19	-	-	-
9Aug16	BAMTECH LLC	The Walt Disney Company	450.00	-	-	-
20Jul16	Certified Security Solutions, Inc.	-	4.35	-	-	-
30Sep13	Data Connect Corporation	-	0.27	-	-	-
28Mar13	Telos Corporation	-	0.04	226.10	-	-
26Jun12	Proficio, Inc.	-	1.10	-	-	-



### SECTORWATCH: Government Integrators February 2018

Appendix: Public Basket Constituents



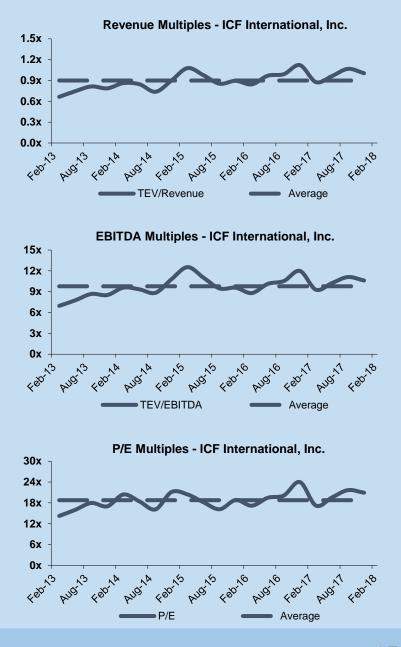
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### ICF International, Inc.

ICF International, Inc. provides management, technology, and policy consulting and implementation services to government and commercial clients in the United States and internationally. The company researches, collects, and analyses critical policy, industry, and stakeholder issues, trends, and behaviors; provides assessment and advisory services on how to navigate societal, market, business, communication, and technology challenges; and designs, develops, and manages plans, frameworks, programs, and tools that are principal to its clients' business performance. It also identifies, defines, and implements technology-based systems and business tools through a range of standard and customized methodologies designed to match its clients' business context; and informs and engages its clients' constituents, customers, and employees through public relations, branding and marketing, multichannel and strategic communications, and enterprise training and communications programs. ICF International, Inc. serves energy, environment, and infrastructure; health, education, and social programs; safety and security; and consumer and financial markets. The company was formerly known as ICF Consulting Group Holdings, LLC and changed its name to ICF International, Inc. in 2006. ICF International, Inc. was founded in 1969 and is headquartered in Fairfax, Virginia.

#### Key Development Headline

5/26/17 ICF International Mulls Acquisitions



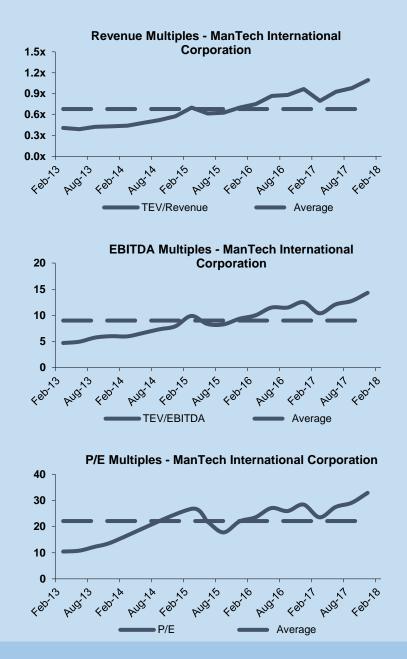


### ManTech International Corporation

ManTech International Corporation provides technologies and solutions for mission-critical national security programs worldwide. It offers cyber security solutions and services. The company also designs, develops, integrates, operates, and sustains software applications and systems across defense, intelligence, and federal civilian customers; and provides hardware and software to support the technology infrastructure for specific applications, including IT service management, help desk, data center consolidation, enterprise architecture, mobile computing and device management, network operations and infrastructure, virtualization/cloud computing, network and database administration, enterprise systems development and management, and infrastructure as a service. In addition, it offers professional and technical solutions, as well as support services to national, defense and related intelligence agencies and other classified customers; command-and-control infrastructure, intelligence, surveillance and reconnaissance platforms and sensors, and data services; and vulnerability assessment, insider threat protection, exposure analysis, secrecy architecture design, lifecycle acquisition program security, foreign disclosure, system security engineering, security awareness and training, comprehensive security support services, and technical certification and accreditation services. ManTech International Corporation was founded in 1968 and is based in Fairfax, Virginia.

Date	Key Development Headline			
10/1/17	ManTech International Corporation (NASDAQ:MANT) completed the acquisition of InfoZen, Inc.			
9/17/17	ManTech International Corporation (NASDAQ:MANT) signed a definitive agreement to acquire InfoZen for \$180			

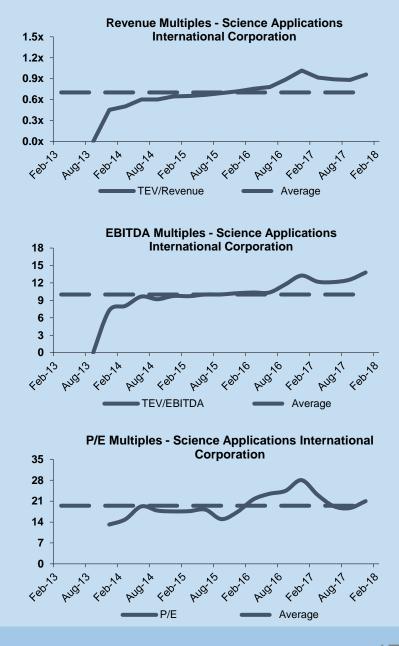
million. 5/3/17 ManTech International Mulls Acquisition





### Science Applications International Corporation

Science Applications International Corporation provides technical, engineering, and enterprise information technology (IT) services primarily in the United States. The company's offerings include technology and equipment platform integration: enaineerina: maintenance of ground and maritime systems; logistics; training and simulation; operation and program support services; and end-to-end services, such as design, development, integration, deployment, management and operations, sustainment, and security of its customers' IT infrastructure. It serves the U.S. military comprising Army, Air Force, Navy, Marines, and Coast Guard; the U.S. Defense Logistics Agency; the National Aeronautics and Space Administration; the U.S. Department of State; and the U.S. Department of Homeland Security. The company was formerly known as SAIC Gemini, Inc. and changed its name to Science Applications International Corporation in September 2013. Science Applications International Corporation was founded in 1969 and is headquartered in Reston, Virginia.

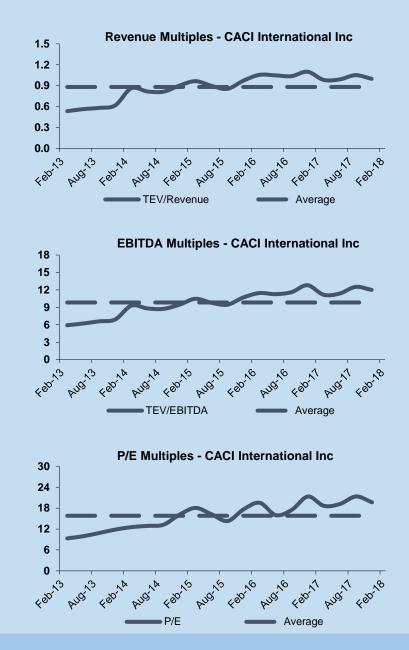




#### **CACI** International Inc

CACI International Inc, together with its subsidiaries, provides information solutions and services in North America and internationally. The company offers business systems solutions in the areas of financial, human capital, asset and materials, and administrative management; develops, integrates, and operates command and control solutions; and develops and integrates solutions that deliver multi-level unified communications from the enterprise directly to and from the tactical edge. It also provides cyber security solutions, as well as supports cyber operations of federal customers and the intelligence community. In addition, the company provides enterprise-wide information solutions and services for the design, development, integration, deployment, operations and management, sustainment, and security of its customers' IT solutions; and supports federal civilian and military health missions that improves healthcare delivery systems, integrates electronic health records, improves health outcomes for communities, and enhances emergency responsiveness. Further, it provides intelligence services, such as intelligence analysis, operations and planning, policy, doctrine, and security support; and designs, develops, integrates, deploys, and prototypes hardware-and softwareenabled tools and applications, as well as offers signals intelligence. Additionally, the company provides investigation and litigation support services; logistics and material readiness solutions, and professional services; operations and resiliency support; and data and software products, as well as integrates surveillance and reconnaissance technologies into platforms. CACI International Inc was founded in 1962 and is headquartered in Arlington, Virginia.





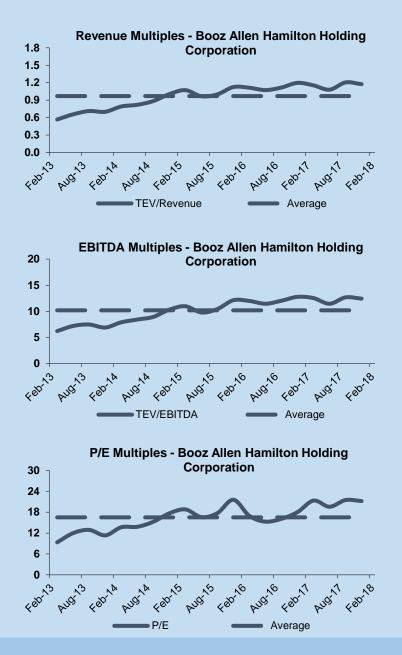


### **Booz Allen Hamilton Holding Corporation**

Booz Allen Hamilton Holding Corporation provides management and technology consulting, engineering, analytics, digital, mission operations, and cyber solutions to governments, corporations, and notfor-profit organizations in the United States and internationally. The company offers consulting solutions for various domains, business strategies, human capital, and operations. It also provides analytics services, which focuses on delivering transformational solutions in the areas of decision analytics, including operations research and cost estimation; intelligence analysis, which include source analysis; and tradecraft, data science, and machine intelligence. In addition, the company designs, develops, and implements secure solutions and scalable systems, as well as offers software development services; and delivers technical solutions in the areas of command, control, computers. intelligence. communications, surveillance. and reconnaissance. Further, it provides cyber risk management solutions, such as prevention, detection, and cost effectiveness. Booz Allen Hamilton Holding Corporation was founded in 1914 and is headquartered in McLean, Virginia.

Date	Key Development Headline					
10/19/17	Booz Allen Hamilton Holding Corporation (NYSE:BAH)					
	acquired Morphick Inc.					
9/7/17	Booz Allen Hamilton Seeks Acquisitions					
5/22/17	Booz Allen Hamilton Holding Mulls Acquisitions					

2/9/17 Booz Allen Hamilton and Elastic Announce Partnership





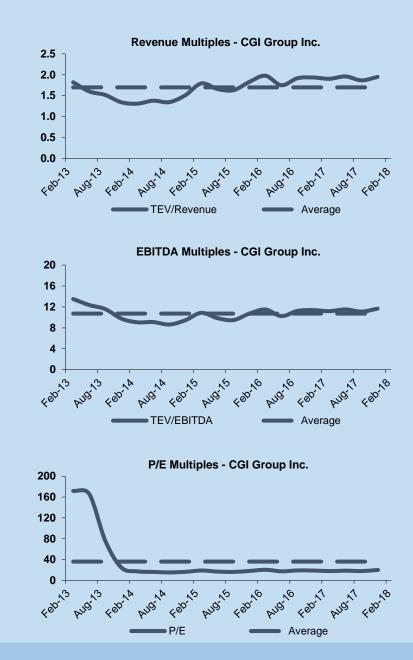
### CGI Group Inc.

CGI Group Inc. provides information technology and business process services in Canada and internationally. It offers application development and maintenance, portfolio management, quality assurance and testing, modernization, and migration services; agile, business transformation, change management, CIO advisory, cybersecurity, data analytics, digital enterprise, project management, and industry-specific business consulting services; business-to-business and customer operations support, purchase management, revenue management, and supplier payment services; and data center facilities and management, technical printing and document management, service desk, remote infrastructure, transformation, storage as a service, data vaulting, disaster recovery and archiving as a service, bottomless edge-to-core storage, and file sync and share as a service, as well as infrastructure solutions and consulting services. The company also provides IT outsourcing services; and data analytics, enterprise application integration, enterprise architecture and content management, enterprise resource planning (ERP), and geospatial solutions. The company was founded in 1976 and is headquartered in Montreal, Canada.

Date

#### Key Development Headline

- 12/6/17 CGI Group Inc. (TSX:GIB.A) acquired Paragon Solutions, Inc. for 60.6 million.
- 11/8/17 CGI Group Seeks Acquisitions
- 8/22/17 CGI Group Inc. (TSX:GIB.A) acquired Summa Technologies, Inc.
- 5/11/17 CGI Group Inc. (TSX:GIB.A) completed the acquisition of ECommerce Systems, Inc.
- 5/3/17 CGI Group Mulls Acquisitions



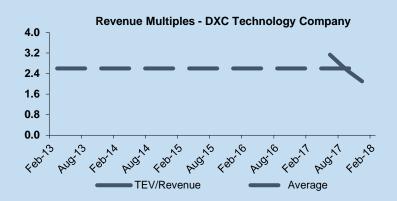


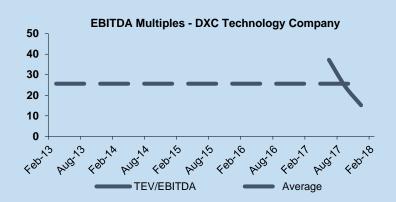
### DXC Technology Company

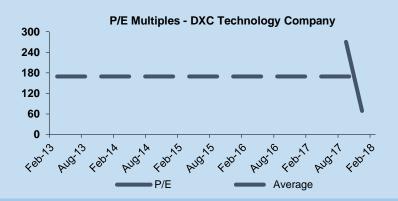
DXC Technology Company, together with its subsidiaries, provides information technology services and solutions primarily in North America, Europe, Asia, and Australia. This segment also provides applications services, which optimize and modernize clients' business and technical environments that enable clients to capitalize on emerging services, such as cloud, mobility, and big data within new commercial models, including the 'as a Service' and digital economies; consulting services, which help organizations innovate, transform, and create sustainable competitive advantage; and vertically aligned software solutions and process-based intellectual property power mission-critical transaction engines in insurance, banking, healthcare and life sciences, manufacturing, and other diversified industriesDXC Technology Company was founded in 1959 and is headquartered in Tysons, Virginia.

#### Date Key Development Headline

- 10/11/17 DXC Technology Company, KeyPoint Government Solutions, Inc., Vencore Holding Corp. - M&A Call
- 10/10/17 KeyPoint Government Solutions, Inc. and Vencore Holding Corp. agreed to acquire U.S. Public Sector Business from DXC Technology Company (NYSE:DXC) in a reverse morris trust transaction.
- 8/14/17 DXC Seeks Acquisitions
- 5/25/17 DXC Technology and Mphasis Collaborate to Accelerate Application Transformation and Modernization Solutions for Enterprise Clients
- 3/30/17 Computer Sciences Corporation (NYSE:CSC) completed the acquisition of Everett Spinco, Inc. from Hewlett Packard Enterprise Company (NYSE:HPE).









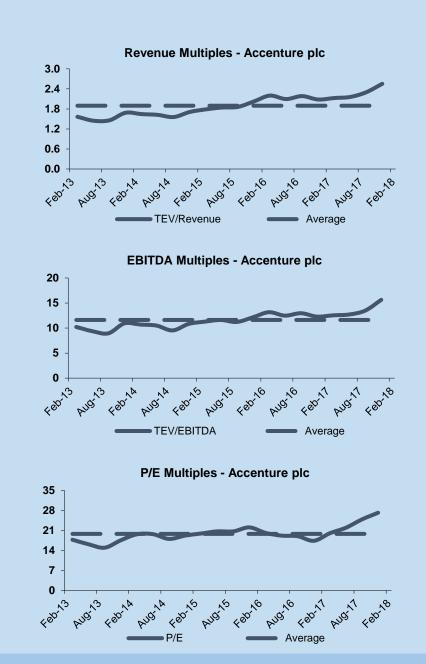
### Accenture plc

Accenture plc provides consulting, technology, and outsourcing services worldwide. Its Communications, Media & Technology segment provides professional services that help clients accelerate and deliver digital transformation, and enhance business results through industry-specific solutions for communications, media, and high tech industries, as well as for software platforms. The company's Financial Services segment offers services that address profitability pressures, industry consolidation, regulatory changes, and the need to continually adapt to new digital technologies. This segment serves clients in banking, capital markets, and insurance industries. Its Health & Public Service segment provides research-based insights and offerings, including consulting services and digital solutions to help clients deliver social, economic, and health outcomes. Accenture plc was founded in 1989 and is based in Dublin, Ireland.

#### Date

#### Key Development Headline

- 1/9/18 Accenture plc (NYSE:ACN) signed an agreement to acquire MACKEVISION Medien Design GmbH from GIMV NV (ENXTBR:GIMB) and other shareholders.
- 1/7/18 Accenture plc (NYSE:ACN) acquired Altima SAS from Capital Croissance SAS and others.
- 1/5/18 Faurecia and Accenture Join Forces to Reinvent Onboard Experience for Connected and Autonomous Vehicles
- 12/13/17 Accenture plc (NYSE:ACN) entered into an agreement to acquire Rothco.
- 11/17/17 Accenture and Pivotal Software, Inc. Launch New Business Group to Help Enterprises Accelerate Cloud Migration and Speed Software Development





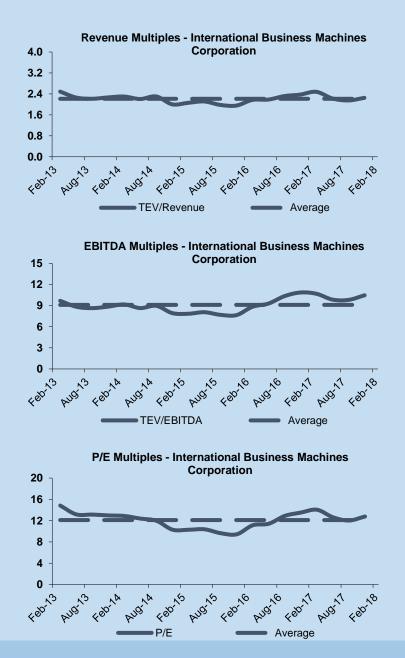
### **International Business Machines Corporation**

International Business Machines Corporation provides information technology (IT) products and services worldwide. Its Cognitive Solutions segment includes Watson, a cognitive computing platform that interacts in natural language, processes big data, and learns from interactions with people and computers. The company's Cognitive Solutions segment also offers data and analytics solutions, including analytics and data management platforms, cloud data services, enterprise social software, talent management solutions, and solutions tailored by industry; and transaction processing software that runs mission-critical systems in banking, airlines, and retail industries. The company's Global Business Services segment offers business consulting services; delivers system integration, application management, maintenance, and support services for packaged software applications; and business process outsourcing services. The company was founded in 1911 and is headquartered in Armonk, New York.

#### Key Development Headline

1/19/18 IBM and Salesforce Announces an Expansion of Their Strategic Partnership

- 1/16/18 Maersk and IBM to Form Joint Venture Applying Blockchain to Improve Global Trade and Digitize Supply Chains; Appoints Michael J. White as CEO of the New Company
- 10/4/17 Forensic Logic, Inc. acquired COPLINK Suite of Products from International Business Machines Corporation (NYSE:IBM).
- 9/28/17 IBM and University of California San Diego Collaborate to Advance the Use of Artificial Intelligence for Healthy Living
- 9/13/17 IBM, ZF, UBS to Develop Open Automotive Transaction Platform





### **CONTACT INFORMATION**

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