# CohnReznick Government Contractor Valuation H1 2024 Tracker

Welcome to the sixth 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
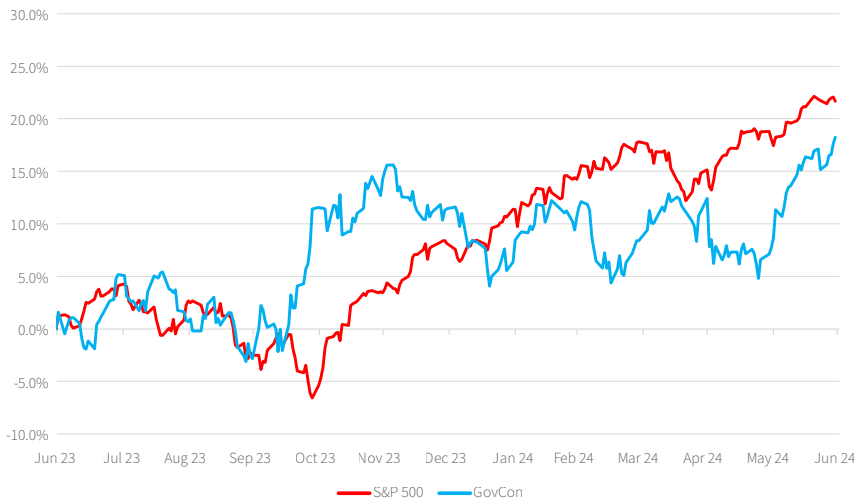
The returns for this select group of public government services contractors* slightly underperformed the S&P 500 for June 2023 through June 2024. Over that period, the S&P 500 was up approximately 21.7%, compared to 18.2% for the government contractors. The continuing conflicts in the Middle East and Ukraine has led to increased defense spending, focus on cybersecurity, and investment in artificial intelligence; all affecting government contractors. Of note is GSA's release of its "Generative AI and Specialized Computing Infrastructure Acquisition Resource Guide" to aid in procuring generative AI technologies.

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

EV/TTM EBITDA H2 2023 Lookback
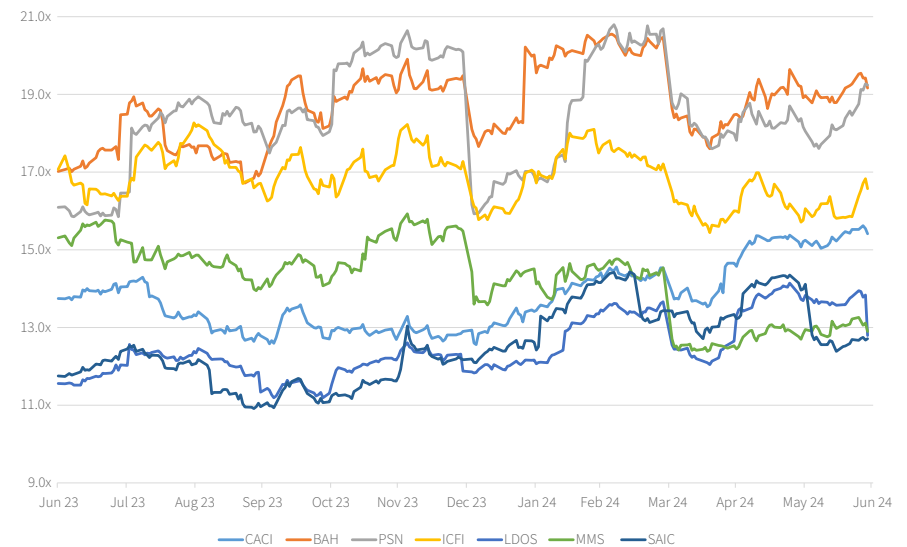
Public government services contractors generally traded between 11.0x to 21.0x EBITDA. The median EBITDA multiple has remained stable over the last twelve months at around 15.0x.

Mergers & Acquisitions in the Last Twelve Months

In USD Millions

Transaction Date	Target Name	Acquirer Name	Net Sales ($M)	EBITDA ($M)	EBITDA Margin %	Enterprise Value	EV/Net Sales	EV/EBITDA
5/24/2024	Allegient Defense, Inc.	BCS, LLC	18	NA	NA	13	0.7x	NA
3/29/2024	Raytheon's Cybersecurity, Intelligence, and Services Business	Blackstone	3,700	NA	NA	1,350	0.4x	NA
11/22/2023	HS GovTech Solutions Inc.	Banneker Partners, LLC	7	(6)	-86.1%	27	4.1x	NM
11/2/2023	RSR Partners (d/b/a Regency Technologies)	Iron Mountain Inc.	100	27	26.7%	200	2.0x	7.5x
8/23/2023	Sealing Technologies Inc.	Parsons	NA	20	>10%	200	NA	10.0x

Enterprise Value Multiples	Net Sales ($M)	EBITDA ($M)	EBITDA Margin %	Enterprise Value	EV/Net Sales	EV/EBITDA
25th Percentile	15	7	-57.9%	27	0.6x	8.1x
Median	**59**	**20**	**-29.7%**	**200**	**1.4x**	**8.8x**
75th Percentile	1,000	23	-1.5%	200	2.5x	9.4x

Source: S&P Capital IQ | [1]*Reflects forward Y1 multiple*

We tracked seven transactions in the GovCon space that closed or were announced over the last twelve months with publicly disclosed valuation multiples or other data. The median EBITDA multiple was 10.0x and below the public company valuation multiples. It should be noted that the highest revenue multiple transaction, HS GovTech Solutions, Inc., is a Software-as-a-Service (SaaS) platform company that provides IT, data, and management systems to federal, state, and local governments in the U.S. and Canada.

Generally, deal volume in 2023 was lower than the elevated levels in 2021 due to higher interest rates. Going forward, if the Federal Reserve lowers rates in 2024, we could expect deal levels to improve.

TTM = Trailing 12-month; **EBITDA =** Earnings before interest, taxes, depreciation, and amortization, GovCon Composite based on straight average with no regard to size or other factors.

Contact

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