



# ARONSON

CAPITAL PARTNERS

## *NOVEMBER DEFENSE & FEDERAL TECHNOLOGY MARKET UPDATE*

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## M&A MARKET UPDATE

### *Kratos Defense & Security Solutions, Inc. (NASDAQ: KTOS) acquires SecureInfo Corp for \$19.5M, including a \$2.0M earn-out*

On November 15, Kratos announced that it has acquired SecureInfo Corp, a pure-play cyber security company specializing in assisting defense, intelligence, civilian government and commercial customers in the management of information security risks and costs. In addition to its cyber security service offerings, SecureInfo has developed and markets SecureInfo RMS®, a proprietary COTS software product that automates the Security Authorization process. SecureInfo is expected to generate adjusted EBITDA of approximately \$2.5M in 2011, which translates to an EV/EBITDA multiple of 7.0x firm consideration. Kratos has now made seven acquisitions in the past 24 months.

### *ManTech Intl. Corp (NASDAQ: MANT) closes its \$90M acquisition of Worldwide Information Network Systems, Inc. (WINS)*

ManTech's previously announced acquisition of WINS closed on November 16, 2011. WINS provides specialized IT solutions in network and infrastructure engineering, enterprise architecture, cyber security and systems development, software development and integration, and end-user workspace management. WINS has a prime position in the \$6.6B DIA Solutions for Information Technology Enterprises (SITE) contract. ManTech expects the acquisition to be accretive to earnings in 2012, and commented that the EV/2012 EBITDA multiple paid was approximately 6.0x after considering the tax benefit of the 338(h)(10) election.

### *Parsons Corporation closes its \$350M acquisition of Cobham Analytics, a division of Cobham plc (London: COB-GB)*

Parsons' previously announced acquisition of Cobham Analytics closed on November 16. Cobham Analytics, previously known as Sparta, is a provider of advanced systems engineering, cyber security and mission support services, primarily to the DoD and IC. Based on the annualized six months ended reported revenue and EBITDA of \$144M and \$14.9M, ACP estimates that Parsons paid approximately 1.2x revenue and 11.7x EBITDA.

## PUBLIC COMPANY UPDATES

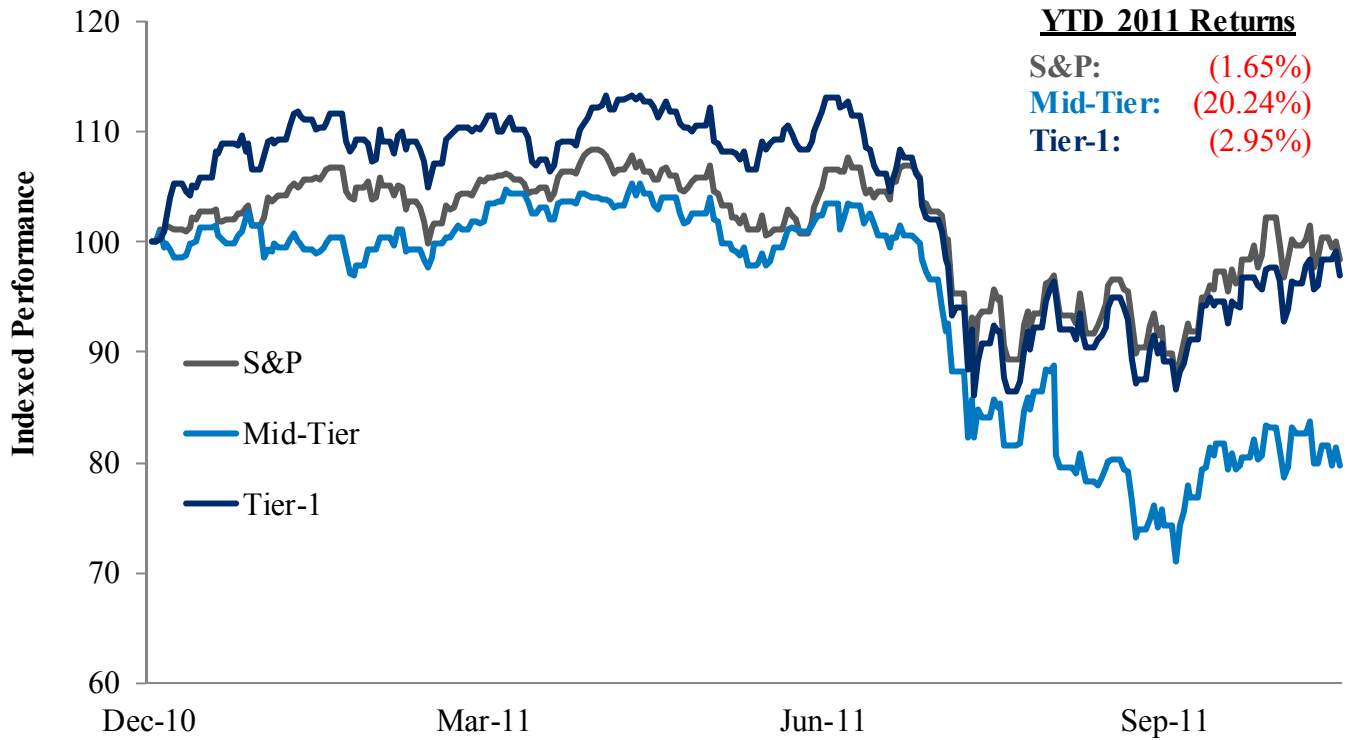
### *Calendar Q3 Winners and Losers:*

- ↑ CACI Intl (CACI) shares were up ~7.0% following the Company's November 2<sup>nd</sup> announcement that it had exceeded analysts' Q1 FY 2012 expectations and was raising its FY 2012 revenue and net income guidance by \$100M and \$10M, respectively. The Company also disclosed that it had received \$2.0B of contract awards, 40% of which were new business.
- ↑ Dynamics Research Corporation (DRCO) shares gained ~13.3% following the Company's November 1<sup>st</sup> earnings announcement and commentary on the successful ongoing integration of the High Performance Technology acquisition.
- ↓ Computer Sciences Corporation (CSC) shares dropped ~23% in two days after the Company announced lower than expected Q2 FY 2012 earnings and JP Morgan downgraded the stock from neutral to underweight with a \$27 price target. The Company's North American Public Sector revenue was down 5.3% year over year.
- ↓ ManTech Intl Corp (MANT) shares declined 5.7% on November 2<sup>nd</sup> after the Company's Q3 FY 2011 earnings release.

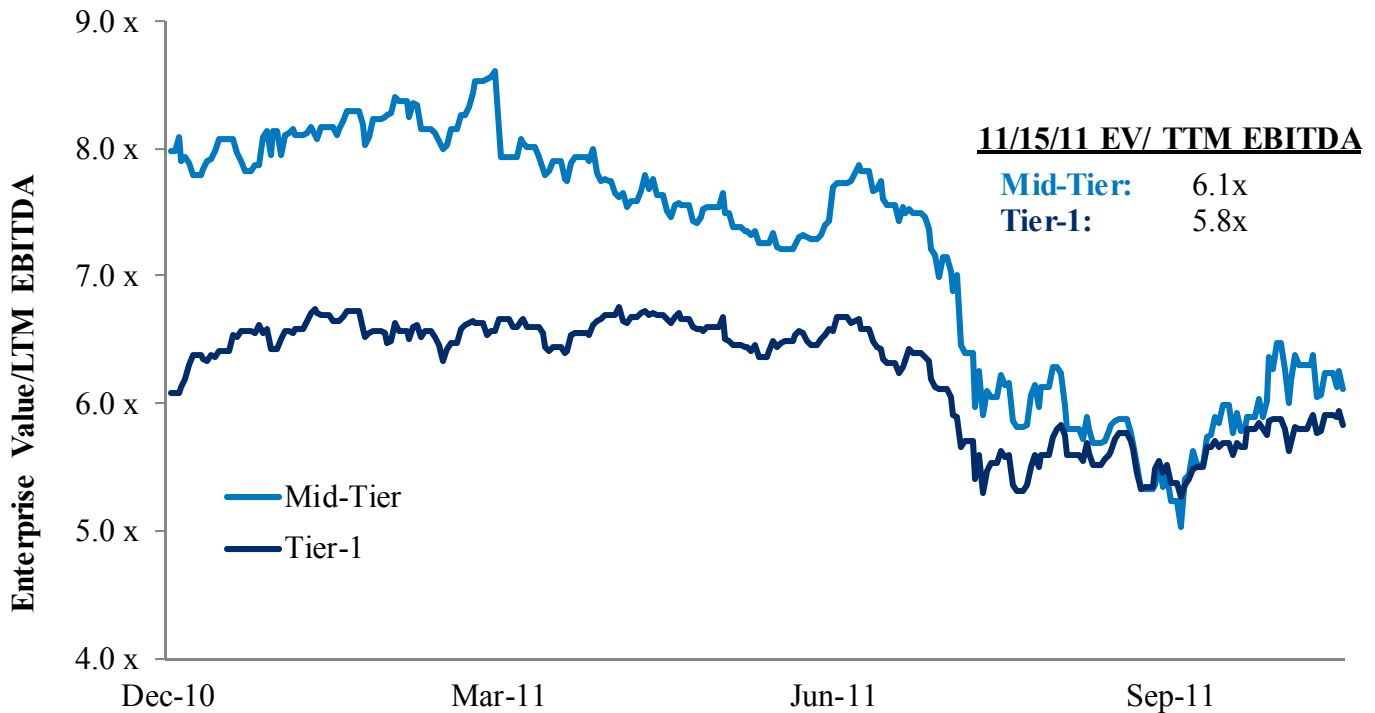
### *Other Highlights:*

- ITT Corp's former defense and information solutions business, ITT Exelis, began trading on the NYSE under the ticker symbol XLS on October 31. The spin off now expands the buyer universe, and was undertaken to "unlock shareholder value."
- CSC regained some market share this week when the Wall Street Journal reported that private equity firms, including the Blackstone Group, were in the preliminary stages of analyzing a potential buyout of the Company.

## Government Services Industry Performance



Source: FactSet  
 Mid-Tier Index: BAH, CACI, CUB, DRCO, ICFI, KEYW, MANT, MRCY, NCIT, SAI  
 Tier-1 Index: BA, GD, HRS, LLL, LMT, NOC, RTN



Source: FactSet  
 Mid-Tier Index: BAH, CACI, CUB, DRCO, ICFI, MANT, MRCY, NCIT, SAI  
 Tier-1: BA, GD, HRS, LLL, LMT, NOC, RTN

Note: Mid-Tier index includes a pro forma adjustment to DRCO for LTMEBITDA related to its HPTi acquisition in June '11

## PUBLIC COMPANY COMPARABLES

(Dollars in Millions, excluding share prices)

Company	Price 11/15/2011	Equity Market Value	Enterprise Value	TTM Revenue	TTM EBITDA	EV as a Multiple of				Operating Margin		Revenue Growth		
						TTM		NTM		CY11E	CY12E	CY11E	CY12E	
						Revenue	EBITDA	Revenue	EBITDA					
<b>Selected publicly traded companies - Mid-Tier</b>														
Booz Allen & Hamilton Inc	\$ 15.80	\$ 2,015	\$ 2,856	\$ 5,711	\$ 426	0.50x	6.7x	0.46x	5.6x	8.0%	8.3%	16.5%	6.9%	
CACI International	56.08	1,482	2,184	3,668	331	0.60x	6.6x	0.55x	6.2x	8.9%	8.7%	24.4%	5.4%	
Cubic Corporation	47.99	1,283	960	1,286	128	0.75x	7.5x	0.70x	6.9x	10.5%	10.2%	26.9%	6.3%	
Dynamics Research Corp.	9.30	96	219	304	30	0.72x	7.4x	0.56x	5.0x	10.7%	11.3%	20.7%	21.9%	
ICF International Inc.	25.22	498	549	820	87	0.67x	6.3x	0.60x	6.2x	9.7%	9.7%	10.2%	9.9%	
KEYW Holding Corp.	7.28	191	258	170	18	1.52x	14.3x	1.09x	9.1x	9.0%	12.3%	83.0%	30.4%	
ManTech Intl Corp	33.69	795	1,258	2,886	269	0.44x	4.7x	0.41x	4.3x	9.4%	9.3%	11.2%	7.8%	
Mercury Computer Sys	14.18	434	260	226	35	1.15x	7.5x	0.93x	4.7x	19.2%	19.6%	25.2%	31.9%	
NCI Inc.	12.66	110	235	614	44	0.38x	5.3x	0.46x	7.1x	6.3%	6.5%	-3.4%	-7.1%	
SAIC Inc.	12.47	4,252	4,743	10,922	1,032	0.43x	4.6x	0.44x	4.8x	9.4%	9.3%	-0.9%	0.3%	
						<b>Mean</b>	<b>0.72x</b>	<b>7.1x</b>	<b>0.62x</b>	<b>6.0x</b>	<b>10.1%</b>	<b>10.5%</b>	<b>21.4%</b>	<b>11.4%</b>
						<b>Median</b>	<b>0.63x</b>	<b>6.6x</b>	<b>0.55x</b>	<b>5.9x</b>	<b>9.4%</b>	<b>9.5%</b>	<b>21.4%</b>	<b>7.4%</b>
<b>Selected publicly traded companies - Tier 1 Primes</b>														
Boeing Co.	\$ 67.94	\$ 50,495	\$ 54,461	\$ 65,730	\$ 6,988	0.83x	7.8x	0.71x	7.0x	10.5%	10.2%	6.9%	14.0%	
General Dynamics Corp.	65.99	23,500	26,445	32,131	4,532	0.82x	5.8x	0.77x	5.6x	13.8%	13.8%	1.3%	4.0%	
Harris Corp.	38.31	4,436	6,717	5,980	1,132	1.12x	5.9x	1.07x	5.2x	20.3%	20.6%	19.2%	3.3%	
L-3 Communications	68.83	6,874	10,892	15,409	1,920	0.71x	5.7x	0.72x	5.8x	12.3%	12.2%	-2.2%	-1.3%	
Lockheed Martin Corp.	77.85	25,190	28,442	47,082	4,469	0.60x	6.4x	0.61x	5.9x	10.0%	10.6%	1.7%	-0.4%	
Northrop Grumman Corp.	59.45	15,533	17,632	28,513	3,853	0.62x	4.6x	0.67x	4.9x	14.0%	13.4%	-23.4%	-1.3%	
Raytheon Co.	45.59	15,779	17,379	25,300	3,245	0.69x	5.4x	0.69x	5.3x	12.5%	13.0%	-0.2%	0.6%	
						<b>Mean</b>	<b>0.77x</b>	<b>5.9x</b>	<b>0.75x</b>	<b>5.7x</b>	<b>13.4%</b>	<b>13.4%</b>	<b>0.5%</b>	<b>2.7%</b>
						<b>Median</b>	<b>0.71x</b>	<b>5.8x</b>	<b>0.71x</b>	<b>5.6x</b>	<b>12.5%</b>	<b>13.0%</b>	<b>1.3%</b>	<b>0.6%</b>
<b>Selected publicly traded companies - Foreign</b>														
BAE Systems PLC	\$ 4.50	\$ 14,682	\$ 16,567	\$ 31,123	\$ 3,941	0.53x	4.2x	0.51x	4.3x	12.0%	12.1%	-3.7%	1.1%	
Cobham PLC	2.86	3,088	3,886	2,912	521	1.33x	7.5x	1.38x	6.2x	22.0%	22.6%	-2.9%	-3.6%	
EADS	29.74	24,390	17,346	65,900	3,703	0.26x	4.7x	0.25x	3.3x	6.3%	8.0%	4.0%	7.2%	
Finmeccanica S.p.A.	4.83	2,794	10,230	25,887	2,437	0.40x	4.2x	0.43x	4.4x	5.2%	9.4%	-5.7%	-1.3%	
QinetiQ Group PLC	1.91	1,264	1,693	2,647	289	0.64x	5.8x	0.68x	6.3x	10.8%	10.9%	-2.7%	-1.0%	
Serco Group PLC	7.83	3,887	4,428	7,051	524	0.63x	8.5x	0.56x	7.2x	7.5%	7.9%	7.1%	8.5%	
Ultra Electronics	25.15	1,733	1,749	1,117	200	1.57x	8.7x	1.39x	7.9x	17.9%	17.6%	3.2%	8.6%	
						<b>Mean</b>	<b>0.77x</b>	<b>6.2x</b>	<b>0.74x</b>	<b>5.7x</b>	<b>11.7%</b>	<b>12.6%</b>	<b>-0.1%</b>	<b>2.8%</b>
						<b>Median</b>	<b>0.63x</b>	<b>5.8x</b>	<b>0.56x</b>	<b>6.2x</b>	<b>10.8%</b>	<b>10.9%</b>	<b>-0.1%</b>	<b>1.1%</b>
<b>Selected publicly traded companies - Commercial IT</b>														
Accenture PLC	\$ 57.93	\$ 37,128	\$ 37,765	\$ 27,353	\$ 3,985	1.38x	9.5x	1.35x	8.6x	15.4%	15.4%	21.7%	6.9%	
Computer Sciences Corp.	26.32	4,081	6,425	16,166	1,982	0.40x	3.2x	0.39x	3.2x	10.8%	13.4%	1.0%	1.3%	
Dell Inc.	15.63	28,516	22,995	61,837	5,690	0.37x	4.0x	0.36x	4.1x	9.6%	8.9%	17.3%	1.8%	
IBM Corp	188.75	222,464	246,369	106,448	25,996	2.31x	9.5x	2.23x	8.9x	24.4%	25.0%	7.3%	3.0%	
Kforce Inc.	12.21	462	527	1,084	56	0.49x	9.3x	0.45x	8.1x	5.1%	5.5%	11.5%	6.8%	
Navigant Consulting Inc.	11.12	581	745	771	92	0.97x	8.1x	0.91x	6.7x	13.2%	14.2%	6.5%	5.1%	
Unisys Corp.	25.57	1,108	1,333	3,913	548	0.34x	2.4x	0.35x	2.3x	13.3%	15.1%	-2.6%	-1.7%	
Xerox Corp.	8.15	11,304	20,544	22,638	4,030	0.91x	5.1x	0.89x	5.8x	14.5%	15.1%	5.3%	2.0%	
						<b>Mean</b>	<b>0.90x</b>	<b>6.4x</b>	<b>0.87x</b>	<b>6.0x</b>	<b>13.3%</b>	<b>14.1%</b>	<b>8.5%</b>	<b>3.1%</b>
						<b>Median</b>	<b>0.70x</b>	<b>6.6x</b>	<b>0.67x</b>	<b>6.2x</b>	<b>13.3%</b>	<b>14.7%</b>	<b>6.9%</b>	<b>2.5%</b>

Source: FactSet

EV: Enterprise Value

TTM: Trailing Twelve Months

NTM: Next Twelve Months

## RECENT INDUSTRY M&A TRANSACTIONS

Date	Buyer	Target	Target Business Description	EV (\$M)	EV/TTM Revenue Multiple	EV/TTM EBITDA Multiple
Nov-11	ManTech International Corp.	Worldwide Information Network Systems, Inc. (WINS)	Specializes in network and infrastructure engineering, enterprise architecture, cyber security & systems development, and software development and integration for DOD, DOS, and other agencies	90.0	N/A	N/A
Nov-11	Kratos Defense & Security Solutions, Inc.	SecureInfo Corporation	Pure-play cyber security company specializing in assisting defense, intelligence, and civilian customer identify, understand, document, manage, mitigate, and protect against cyber threats	19.5	N/A	N/A
Nov-11	Parsons Corp.	Sparta, Inc. (Cobham Analytic Solutions)	Provider of advanced systems engineering, cyber security, and mission support services, primarily to DOD, DHS, and the intelligence community	350.0	1.2 x	11.7 x
Nov-11	Grant Thornton International	Computer Technology Associates (Health Services Division)	Provides IT, financial management, and program management advisory and support services to civilian, military, and commercial health care organizations	N/A	N/A	N/A
Sep-11	General Dynamics Corp.	Vangent, Inc.	Supports HHS, ED, DOL, DOS and DOD with health informatics and information exchange, electronic health records and data analytics, and business process outsourcing solutions.	960.0	1.3 x	11.1 x
Oct-11	Salient Federal Solutions, Inc.	Dataline, LLC (Electronic Security Systems Division)	Designs, engineers, and installs consolidated emergency response systems including access control, alarm monitoring, intrusion detection, video surveillance, and asset tracking	N/A	N/A	N/A
Sep-11	Management	Iron Bow Technologies, LLC	IT solutions provider with expertise in helping customers design, acquire and build secure data center, collaboration, network infrastructure, information security, & client computing disciplines	N/A	N/A	N/A
Sep-11	Computer Sciences Corp.	Maricom Systems, Inc.	Provides business intelligence and data management solutions that support mission-critical health information technology systems within HHS	N/A	N/A	N/A
Sep-11	CACI International, Inc.	Paradigm Holdings, Inc.	Provides cyber security and enterprise IT solutions to clients in federal civilian agencies, the Department of Defense, and the Intelligence Community	61.5	1.1 x	N/A
Aug-11	GTSI Corp.	Information Systems Consulting Group, Inc.	Federal IT professional service provider with more than 110 employees providing software development and support services to the Federal Civilian marketplace	N/A	N/A	N/A
Aug-11	KEYW	Flight Landata, Inc.	Provider of agile ISR solutions to US DoD - solutions include the collection, processing, and productization as actionable intelligence and georeferenced imagery	30.0	1.3 x	N/A
Jul-11	Boeing Co.	Solutions Made Simple, Inc.	Information services provider for the U.S. government and the Intelligence Community known for its Twister data integration framework products	N/A	N/A	N/A
Jul-11	General Dynamics Corp.	Network Connectivity Solutions Corp.	Provides enterprise services and cloud computing solutions, including IA, edge computing, and data center infrastructure to DISA and other DoD agencies	N/A	N/A	N/A
Jul-11	Providence Equity Partners	SRA International	Publicly traded mid tier company founded in 1978 with professional services extended across the DoD, IC, and federal civilian agencies	1,715.0	1.0 x	10.9 x
Jul-11	Moelis Capital	CyberCore Technologies	Provides a full suite of IT managed services, including network engineering and architecture, systems engineering and lifecycle management	N/A	N/A	N/A
Jul-11	CACI International, Inc.	Pangia Technologies, LLC	Software engineering firm that provides computer network operations, IA, software and systems engineering, and IT support to IC and DoD customers	N/A	N/A	N/A
Jun-11	TASC, Inc.	TexelTek	Advanced technology company that provides secure cloud solutions to the U.S. government. The company has locations in Maryland, Florida, Colorado, Hawaii and overseas	N/A	N/A	N/A
Jun-11	Dynamics Research Corporation	High Performance Technologies	HPTi synthesizes disciplined architecture and development with emerging technologies across high priority federal civilian and defense agencies	128.7	1.5 x	12.0 x
			<b>Mean</b>	<b>\$ 579.0</b>	<b>1.2 x</b>	<b>11.3 x</b>
			<b>Median</b>	<b>\$ 128.7</b>	<b>1.3 x</b>	<b>11.1 x</b>

Source: Company Press Releases; FactSet; Infobase  
EV: Enterprise Value  
TIM: Trailing Twelve Months