LINCOLN INTERNATIONAL

Q3 2026

MARKET UPDATE

CURRENT PERSPECTIVES

Defense Technology & Government Services

INTRODUCTION

Market valuations continue to favor technology-focused companies aligned with enduring national security priorities

As the calendar turns to September and summer gives way to the familiar rhythms of back-to-school, cooler weather and the return of football, management teams across the defense technology and government services sector are taking stock of first-half performance and preparing for the critical push to year-end.

National headlines continue to be dominated by geopolitical conflicts in Iran, Ukraine and elsewhere, while attention in Washington increasingly shifts toward budget negotiations, the prospect of another government shutdown and the approaching mid-term elections.

Against that backdrop, companies that support the U.S. national security enterprise remain focused on long-term drivers rooted in enduring mission requirements: maintaining military readiness, modernizing defense capabilities, supporting the warfighter and addressing evolving threats across cyber, space, intelligence and advanced technologies.

Both public and private investors continue to reward companies that are aligned with these priorities through differentiated technical capabilities, investment in innovation and the ability to deliver sustainable growth.

The following analysis examines how those characteristics are reflected in valuations for defense technology and government services firms and the themes that continue to distinguish premium- and discount-valued companies across the sector.

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IN THIS ISSUE

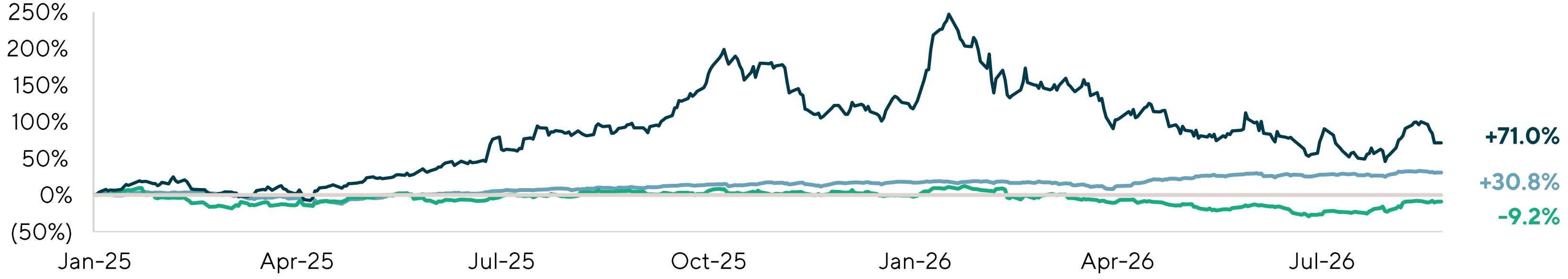
PUBLIC COMPANY PERFORMANCE

Public company performance has been volatile since President Trump took office, with defense and government indices underperforming the broader markets

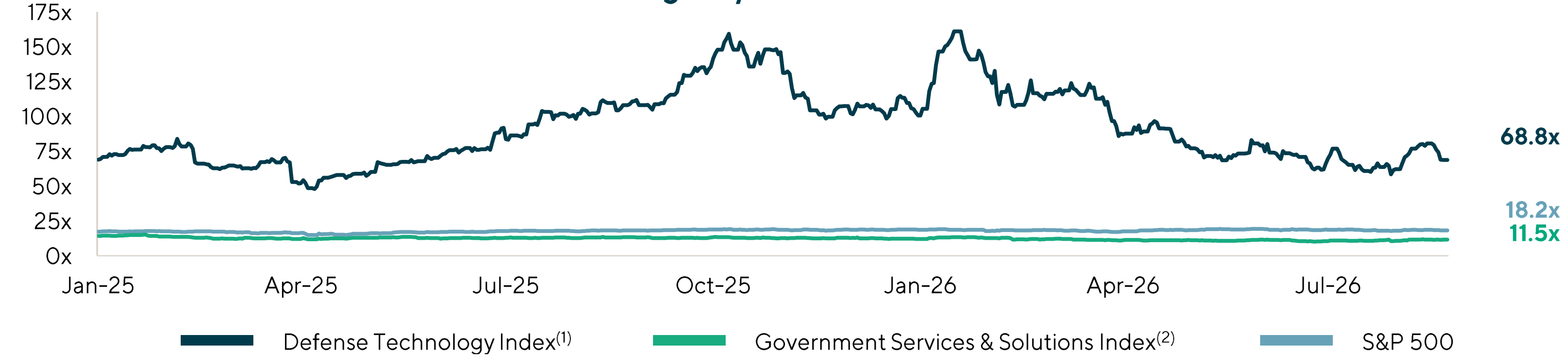
Advanced technology and AI, along with the adoption of more commercial-like procurement techniques by government customers, are reshaping the corporate economic models across the sector, creating a widening valuation gap between companies that monetize technology and AI-enabled mission capabilities and those that rely primarily on labor-based business models.

Defense tech firms have corrected from the valuation highs of Q1, while investors continue to be cautious about the potential AI impact on traditional government services business models, resulting in multiple compression despite healthy earnings and improving forecasts.

Equity Market Performance



Rolling EV / LTM EBITDA



Sources: S&P Capital IQ as of August 23, 2026; (1) Defense Technology Index includes AVAV, KRMN, BKSY, KTOS and MRCY; (2) Government Services & Solutions Index includes BAH, CACI, KBR, LDOS, PSN, SAIC, AMTM and VVX

REPRESENTATIVE PUBLIC COMPANIES

DEFENSE TECHNOLOGY

GOVERNMENT SERVICES & SOLUTIONS

PUBLIC COMPANY TRADING METRICS

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($ in millions)	Ticker	Stock Price	Stock YTD Return (%)	Enterprise Value	LTM		2025 Growth (%)		LTM Margin (%)		EV / LTM		EV / CY 2026	
					Revenue	EBITDA	Revenue	EBITDA	Gross	EBITDA	Revenue	EBITDA	Revenue	EBITDA
Defense Technology[1]														
AeroVironment	AVAV	$160.22	(33.8%)	$8,281	$1,977	$195	116.9%	74.9%	25.3%	9.8%	4.2x	42.5x	3.8x	24.7x
BlackSky Technology	BKSY	$27.75	48.0%	$1,123	$109	($17)	4.4%	NM	69.9%	(15.4%)	10.3x	NM	8.0x	59.8x
Kratos Defense & Security Solutions	KTOS	$57.17	23.9%	$9,488	$1,523	$87	18.5%	6.9%	23.0%	5.7%	6.2x	109.1x	5.3x	53.6x
Karman Holdings	KRMN	$53.40	(27.0%)	$7,901	$590	$154	36.6%	20.1%	41.7%	26.1%	13.4x	51.3x	10.7x	36.2x
Mercury Systems	MRCY	$91.36	25.2%	$5,783	$984	$80	6.6%	188.8%	28.6%	8.2%	5.9x	72.1x	5.6x	34.7x
Defense Technology Mean		$77.98	7.2%	$6,515	$1,036	$100	36.6%	72.6%	37.7%	6.9%	8.0x	68.8x	6.7x	41.8x
Defense Technology Median		$57.17	23.9%	$7,901	$984	$87	18.5%	47.5%	28.6%	8.2%	6.2x	61.7x	5.6x	36.2x

($ in millions)	Ticker	Stock Price	Stock YTD Return (%)	Enterprise Value	LTM		2025 Growth (%)		LTM Margin (%)		EV / LTM		EV / CY 2026	
					Revenue	EBITDA	Revenue	EBITDA	Gross	EBITDA	Revenue	EBITDA	Revenue	EBITDA
Government Services & Solutions[2]														
Leidos	LDOS	$141.39	(21.6%)	$23,625	$17,634	$2,382	3.1%	13.5%	17.8%	13.5%	1.3x	9.9x	1.3x	9.6x
V2X	VVX	$78.50	43.9%	$3,357	$4,897	$313	3.7%	11.5%	8.5%	6.4%	0.7x	10.7x	0.7x	9.4x
CACI International	CACI	$647.39	21.5%	$19,499	$9,568	$1,189	10.4%	15.7%	33.2%	12.4%	2.0x	16.4x	1.9x	15.6x
Booz Allen Hamilton	BAH	$77.05	(8.7%)	$12,888	$11,093	$1,255	(3.1%)	(12.2%)	22.4%	11.3%	1.2x	10.3x	1.2x	10.3x
Amentum	AMTM	$21.49	(25.9%)	$8,714	$14,130	$1,006	44.7%	61.6%	10.5%	7.1%	0.6x	8.7x	0.6x	7.7x
Parsons	PSN	$49.05	(20.7%)	$6,734	$6,293	$471	(5.7%)	(4.2%)	22.0%	7.5%	1.1x	14.3x	1.1x	12.9x
KBR	KBR	$38.58	(4.0%)	$7,345	$7,723	$674	1.0%	3.8%	14.5%	8.7%	1.0x	10.9x	0.9x	7.3x
Science Applications International Corp.	SAIC	$128.04	27.2%	$7,979	$7,291	$737	(2.9%)	(1.6%)	12.6%	10.1%	1.1x	10.8x	1.1x	10.8x
Government Services & Solutions Mean		$147.69	1.5%	$11,268	$9,828	$1,003	6.4%	11.0%	17.7%	9.6%	1.1x	11.5x	1.1x	10.4x
Government Services & Solutions Median		$77.78	(6.3%)	$8,347	$8,645	$872	2.0%	7.6%	16.1%	9.4%	1.1x	10.8x	1.1x	9.9x

Sources: S&P Capital IQ as of August 23, 2026; (1) Defense Technology Index includes AVAV, KRMN, BKSY, KTOS and MRCY; (2) Government Services & Solutions Index includes BAH, CACI, KBR, LDOS, PSN, SAIC, AMTM and VVX

Lincoln Insights

Defense technology and government services & solutions businesses are being valued based on a combination of growth visibility, strategic relevance and long-term earnings durability, rather than on current profitability alone.

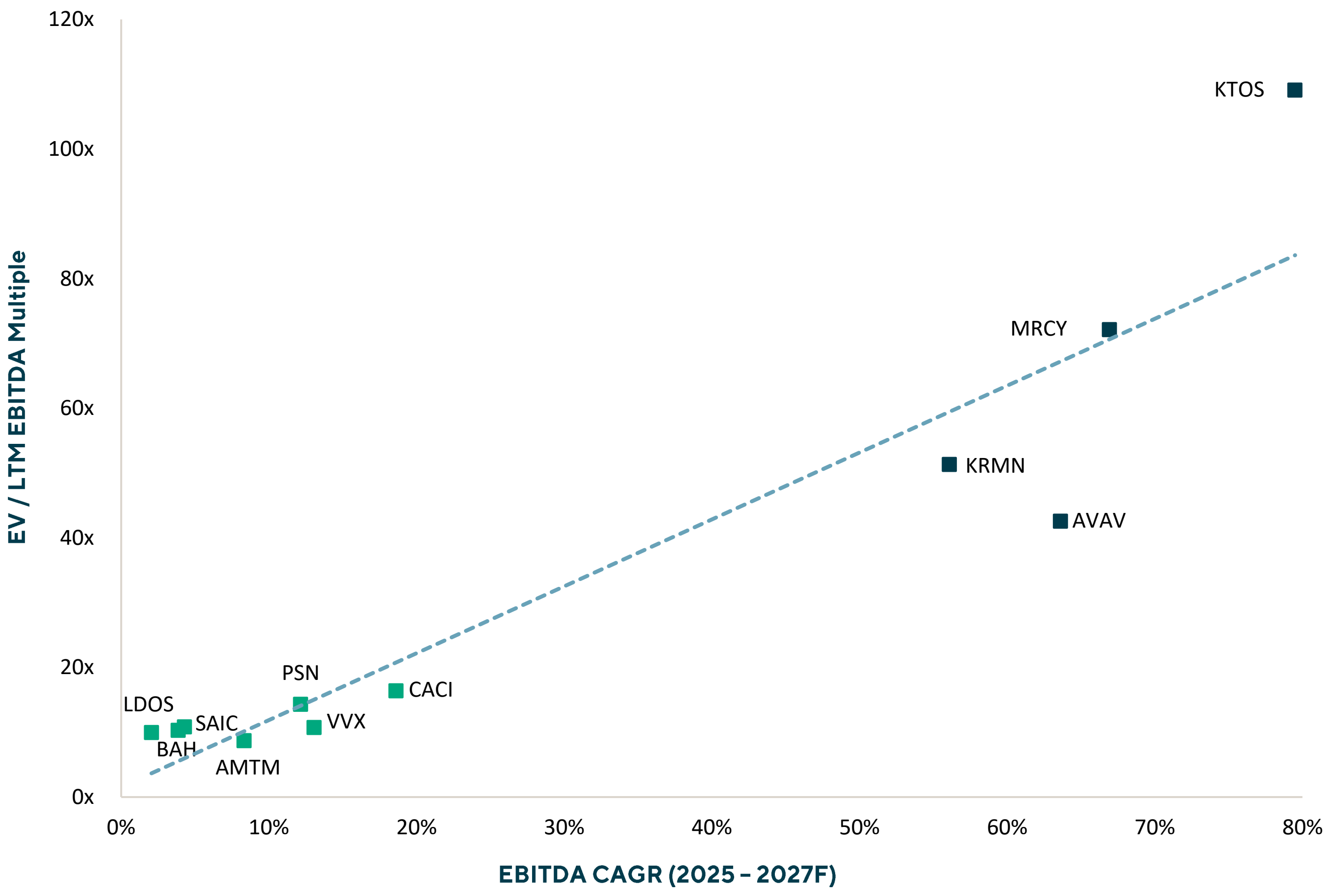
Companies tied to mission-critical, technically differentiated and harder-to-replace work tend to earn higher multiples because investors believe their future cash flows are more durable and have better upside potential.

By contrast, more mature or more commoditized platforms can have respectable current margins and still trade at lower multiples if growth is slower or if the market views their earnings as less differentiated.

Premium multiples are generally associated with companies that consistently reinvest in differentiated technical capabilities—including IR&D, capture efforts, software development and specialized engineering talent—which support stronger organic growth, higher win rates and more durable competitive positioning in the future.

VALUATION PARADIGM

VALUATION MULTIPLE VS. EBITDA GROWTH



Company	EV / LTM EBITDA	EBITDA CAGR ('25 – '27F)
DEFENSE TECHNOLOGY		
KTOS	109.1x	~80%
MRCY	72.1x	~67%
KRMN	51.3x	~56%
AVAV	42.5x	~64%
GOVERNMENT SERVICES & SOLUTIONS		
CACI	16.4x	~19%
VVX	10.7x	~13%
PSN	14.3x	~12%
AMTM	8.7x	~8%
SAIC	10.8x	~4%
BAH	10.3x	~4%
LDOS	9.9x	~2%

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Note: KBR is excluded from the data due to the planned carveout of its MTS group in January 2027; BKSY is excluded from the data due to being an outlier figure

M&A TRANSACTION HIGHLIGHTS – SELECT TRANSACTIONS

Date	Target	Target Description	Acquirer
Dec-26 *(Expected)*	**Insitu**	Provides unmanned aircraft systems, ISR platforms and related defense technologies	**Archer Aviation**
Sept-26 *(Expected)*	**BlackSea Technologies**	Provides unmanned surface and subsea vessels and autonomous maritime systems for defense missions	**AEVEX**
Aug-26	**Epiq Solutions**	Provides software-defined radio, RF and embedded computing solutions for defense and government customers	**TTM Technologies**
Aug-26	**FTS International**	Provides mission engineering, intelligence analysis, systems integration and operational support for defense and space missions	**Noblis**
Aug-26	**Steampunk**	Provides AI-enabled digital transformation, cloud, data, cybersecurity and mission technology solutions to federal agencies	**MetroStar** ***(Veritas Capital)***
Aug-26	**Ternion Corporation**	Develops advanced modeling and simulation software for aerospace and defense customers	**Precise Systems** ***(Bluestone Investment Partners)***
Aug-26	**TENICA Global Solutions**	Provides engineering, mission operations, cybersecurity and digital modernization solutions for space and defense missions	**McNally Capital**
Jul-26	**Raft** ***(Washington Harbour Partners)***	Provides open-architecture mission software, multi-domain data fusion and AI solutions for national security customers	**Leonardo DRS**
Jul-26	**Delphinus Engineering**	Provides maintenance, modernization, engineering and industrial services supporting the U.S. Navy and defense community	**Bluestone Investment Partners**
Jul-26	**Highlight Technologies**	Provides DevSecOps, cloud, AI / ML, data management and digital transformation solutions for federal customers	**Empower AI** ***(H.I.G. Capital)***
Jul-26	**Ultra Maritime**	Provides undersea and anti-submarine warfare systems, including sonar, sonobuoys and autonomous maritime sensing platforms	**Lockheed Martin**

M&A TRANSACTION HIGHLIGHTS – SELECT TRANSACTIONS

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Date	Target	Target Description	Acquirer
Jun-26	**Ultra I&C Mission Solutions**	Provides software, encryption, edge compute and command-and-control products for defense and national security customers	**Booz Allen Hamilton**
Jun-26	**North Star Scientific**	Designs and manufactures high-reliability communications, radar and RF systems for defense and airborne mission applications	**GALT Aerospace** ***(Godspeed Capital)***
Jun-26	**Insignis**	Provides systems engineering, network engineering and software development solutions supporting critical cyber operations	**Woven Solutions** ***(Falfurrias Capital Partners)***
Jun-26	**Nara Logics**	Provides neuroscience-inspired AI and decision-intelligence software for government and defense customers	**OMNI Federal** ***(MDP)***
Jun-26	**BreakPoint Labs**	Provides AI-enabled cyber operations, red teaming, threat emulation and DevSecOps capabilities for national security customers	**Valiant Solutions** ***(Bluestone Investment Partners)***
May-26	**Vitesse Systems / Accelint** ***(Formed Lyntris)***	Provides sensing hardware, RF technologies, mission systems and command-and-control capabilities for defense applications	**Trive Capital**
Apr-26	**GALT Aerospace**	Provides command, control and communications solutions for airborne and multi-domain defense applications	**Godspeed Capital**
Apr-26	**Defy Security**	Provides cybersecurity products and services to enterprises across financial services, healthcare, manufacturing and retail	**Booz Allen Hamilton**
Jan-26	**Charles River Analytics**	Develops AI, decision-support and autonomous systems for defense, intelligence and government customers	**GRVTY** ***(Arlington Capital Partners)***
Jul-25	**Hexagon US Federal - HS3 Intelligence & Defense Portfolio**	Provides geospatial, information management, cybersecurity and mission solutions for defense and intelligence customers	**Bart & Associates**

KEY DRIVERS IN NATIONAL SECURITY M&A

Buyers consider the following topics when evaluating M&A opportunities in the defense technology and government services & solutions sectors

SALIENT TOPICS IN TODAY'S ENVIRONMENT

AI Leadership

- AI is increasingly moving beyond pilots and demonstrations into real-world applications across intelligence, C2, cyber, logistics, autonomy and mission software
- The opportunity is shifting toward companies that can integrate AI into existing mission systems and operational workflows—not just provide foundational models

Technological Innovation

- Spending is increasingly concentrated around capabilities tied directly to the warfighter and national security mission—including cyber, electronic warfare, space, ISR, autonomy and advanced communications
- This creates structural tailwinds for companies with differentiated technical capabilities and deep customer relationships

Profitable Growth

- The strongest companies are not simply growing faster; they are using technology, software and higher-value engineering content to improve the economics of their businesses
- Smart buyers are increasingly willing to look through near-term investment—including IR&D, talent and capture spending—when it supports higher-quality growth and sustainable margin expansion

Differentiation > Scale

- Scale remains important, but size alone is increasingly insufficient to command a premium valuation
- The market is differentiating between labor-intensive / commoditized services and businesses with technical differentiation, embedded customer relationships, high barriers to entry and exposure to enduring national security priorities

OTHER IMPORTANT CONSIDERATIONS

Revenue Mix	Backlog	Contract Type / Vehicle	Recompete Outlook	Customer Relationship Depth	New Business Pipeline

QUALITATIVE VALUATION FRAMEWORK

Beyond quantifiable financial performance, buyers carefully consider an array of qualitative factors when ascribing value to defense technology and government services & solutions businesses

	Market Value		Premium Value
Company-Specific Qualitative Factors			
Market Leader with Tangible Scarcity Value	Low	Moderate	**High**
Criticality of Services / Solutions	Discretionary	Valued	**Mission-Critical**
Engineering Talent and Technical Capabilities	Basic	Moderate	**Advanced**
Software Solutions / Technology Enablement	Third-Party	Blend	**Proprietary**
Strength and Depth of Management Team	Low	Moderate	**High**
Strength of Culture and Human Capital / Employee Retention	Low	Moderate	**High**
Scalability of Platform	Low	Moderate	**High**
Company-Specific Quantitative Factors			
Revenue / Earnings Momentum and Sustainability	Low	Moderate	**High**
EBITDA Margin Profile	<10%	10%-15%	**>15%**
Sustainability of Margin Profile	Low	Moderate	**High**
CapEx Requirements	High	Moderate	**Low**
Trends in Pricing and Service Requirements	Negative	Neutral	**Positive**
Quality of Revenue			
Revenue Predictability / Visibility	Low	Moderate	**High**
Nature of Awarded Revenue	Bid	MSA	**Contract**
Predominant Contractual Role	Subcontractor	Mix	**Prime**
Predominant Contract Designation	Small Business Set-Aside	Mix	**Full & Open**
Growth Trajectory			
Embedded Demand for Services	Low	Moderate	**High**
Organic Growth Initiatives	Low	Moderate	**Actionable**

IMPLICATIONS FOR GOVERNMENT SERVICES & SOLUTIONS FIRMS

Key themes shaping strategic positioning, growth priorities and value creation for government services & solutions firms

Mission Mix

- Firms aligned to core national security missions (ISR, C2, cyber, space, training and readiness) are advantaged
- Civil-heavy and labor-augmentation models are discounted

Operator-Embedded Platforms

- Winning services platforms look like "operational partners," not contractors
- Program intimacy, speed and operational credibility are core competitive moats

AI / Autonomy

- AI and autonomy do not disintermediate services; they shift where value accrues
- Increased demand for integration, training, sustainment, network operations, data fusion, T&E, etc. – services firms that control workflows and mission operations benefit

Recompete-Led Scale

- Growth increasingly comes from taking share on recompetes and consolidating fragmented capability areas
- Execution, past performance and recurring revenue drive value more than greenfield growth

Integration-Focused Platforms

- Services companies that act as the connective tissue between defense tech entrants and primes are strategic assets

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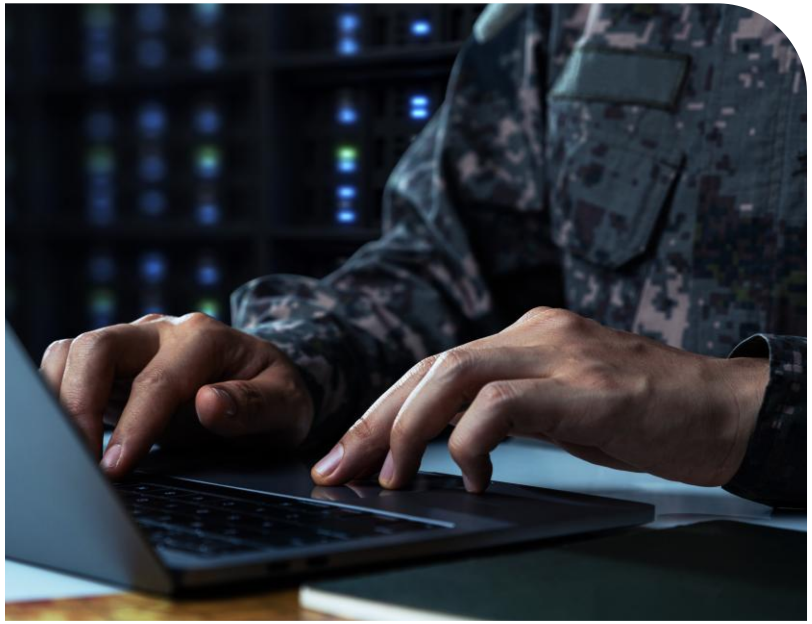

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