

Tactical Technologies XYZ

Discussion Materials

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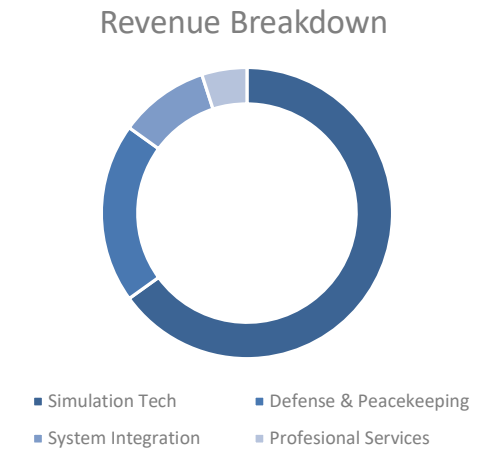
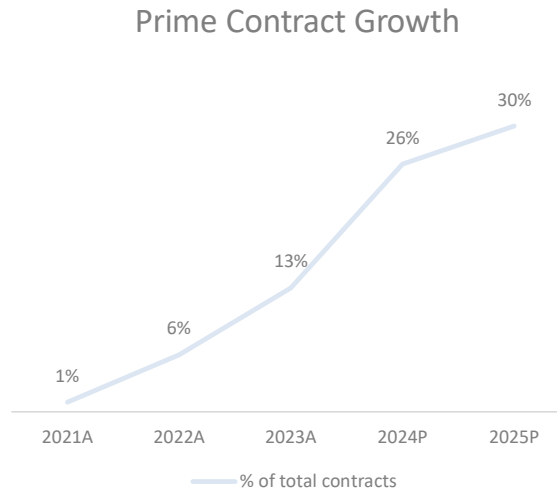
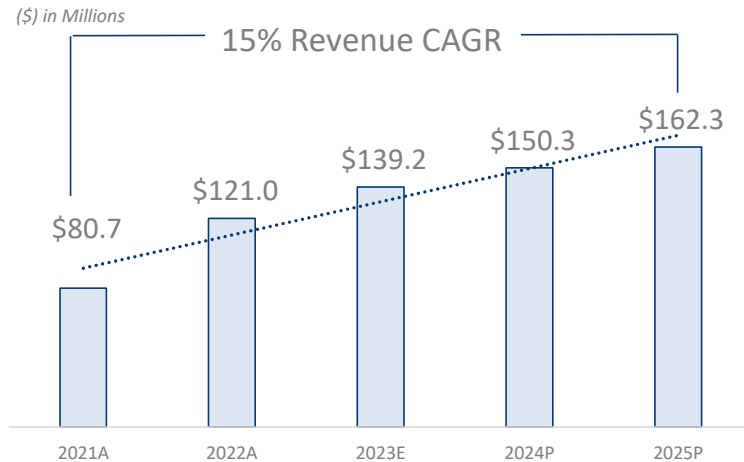
Tactical Tech XYZ Overview

Tactical Tech XYZ leads defense training and battle management with proven expertise and willing innovation

Strategic focus continues to increase TAM



Growing & diversified financial profile



Recommended process

We recommend a targeted auction process focused on maintaining negotiating leverage, maximizing strategic fit, and minimizing business disruption

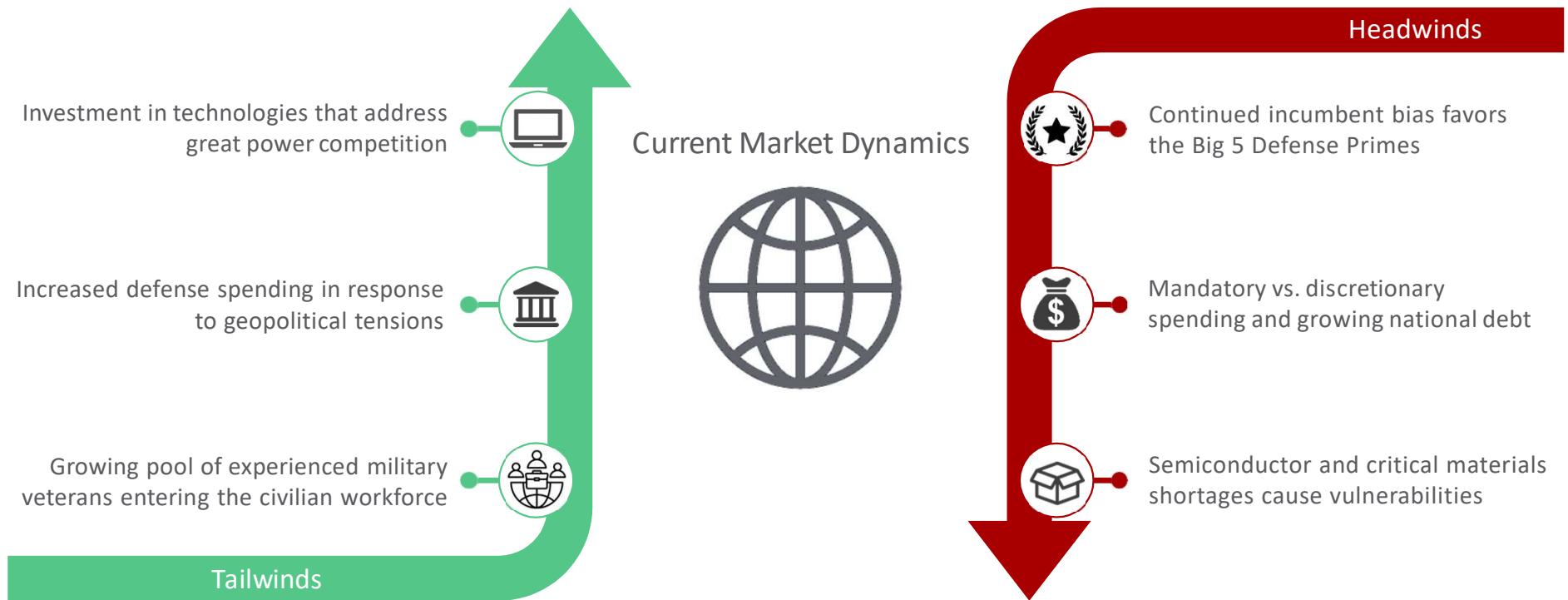
	Negotiated sale	Targeted auction	Broad auction
Number contacted	<ul style="list-style-type: none"> • 1 – 20 	<ul style="list-style-type: none"> • 20 – 70; early look meetings for the most likely acquirers 	<ul style="list-style-type: none"> • 70+
Bidding format	<ul style="list-style-type: none"> • Direct negotiation 	<ul style="list-style-type: none"> • Two or three step bidding process 	<ul style="list-style-type: none"> • Two or three step bidding process
Time to signing	<ul style="list-style-type: none"> • Four months or less 	<ul style="list-style-type: none"> • Four to five months 	<ul style="list-style-type: none"> • Four to five months
Advantages	<ul style="list-style-type: none"> ▲ Maximum confidentiality ▲ Minimum business disruption ▲ Avoid perception that business is “shopped” ▲ Maximum flexibility in dealing with potential buyers 	<ul style="list-style-type: none"> ▲ Speed of execution ▲ Don’t waste time with buyers who do not stick ▲ Avoid perception that business is “shopped” ▲ Flexibility in dealing with potential buyers ▲ Stimulates strong sense of competition among buyers 	<ul style="list-style-type: none"> ▲ Allows for broadest spectrum of potential buyers to participate ▲ Stimulates strong sense of competition among buyers
Disadvantages	<ul style="list-style-type: none"> ▼ May forego some leverage in pricing and negotiations due to exclusivity ▼ Risk of multiple deterioration while waiting ▼ May not realize maximum value ▼ Will not reach full potential universe of buyers 	<ul style="list-style-type: none"> ▼ Requires more of management’s time with additional stage in process 	<ul style="list-style-type: none"> ▼ Greater risk of access to confidential material by “tire kickers” ▼ May result in “high traffic” interfering with business ▼ May turn off some buyers

Defense & Government Market Dynamics

SECTION 2

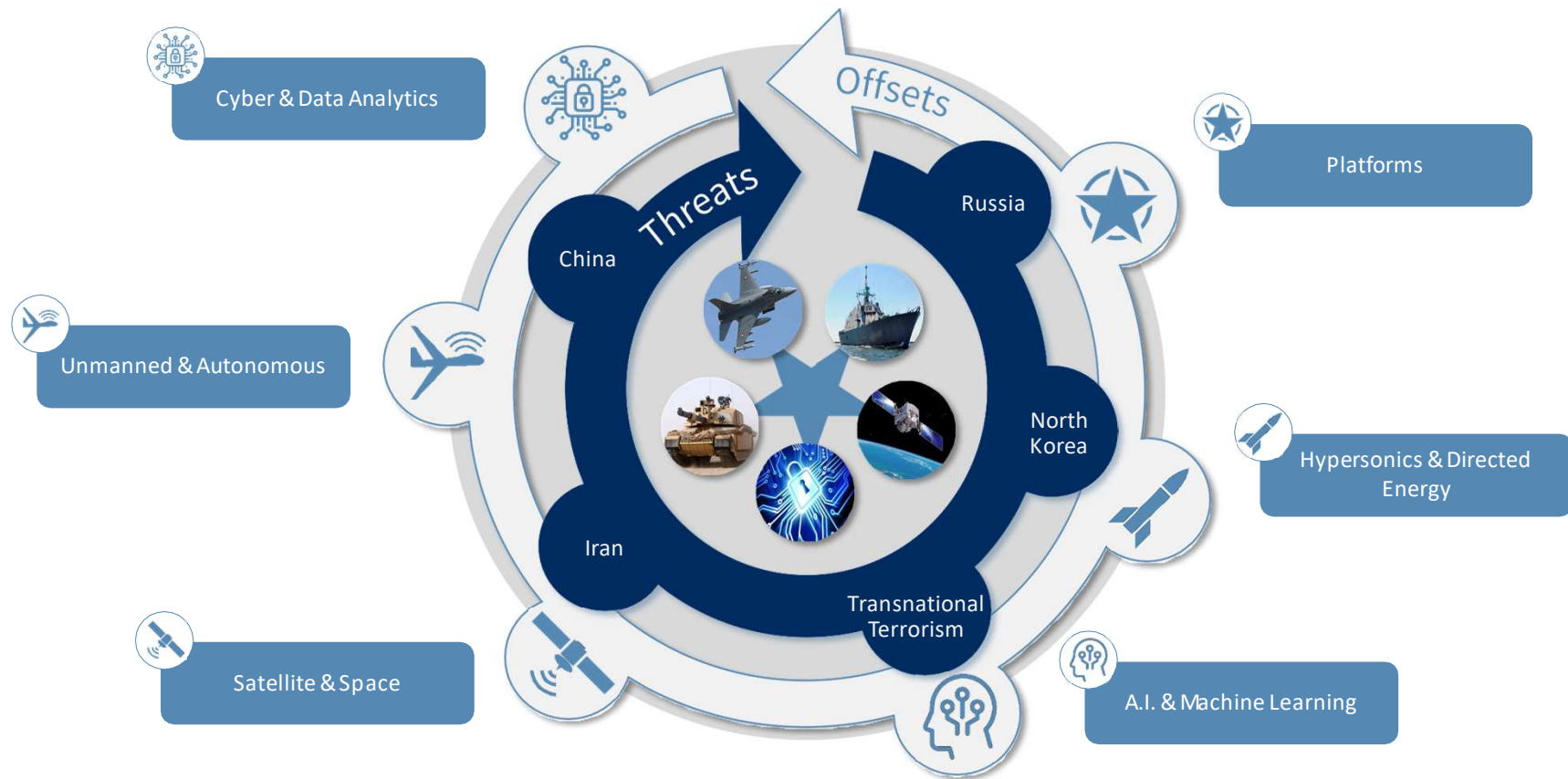
Current market environment

Despite the macro economic environment being impacted by a growing national debt, the Defense & Government market remains strong



Emerging threat landscape drives investment

New and emerging threats are fueling a new defense build cycle that supersedes politics and budget headwinds



Private equity remains an active market participant

Current market landscape

- Private equity continues to play a significant role in the Defense and Government sector
 - Growing number of well-educated investors who understand the quirks of the government contracting market
 - Private equity invested in or purchased more than 325 companies since the start of 2023
- With an abundance of both long-term equity and inexpensive debt capital available, private equity remains an attractive and competitive alternative

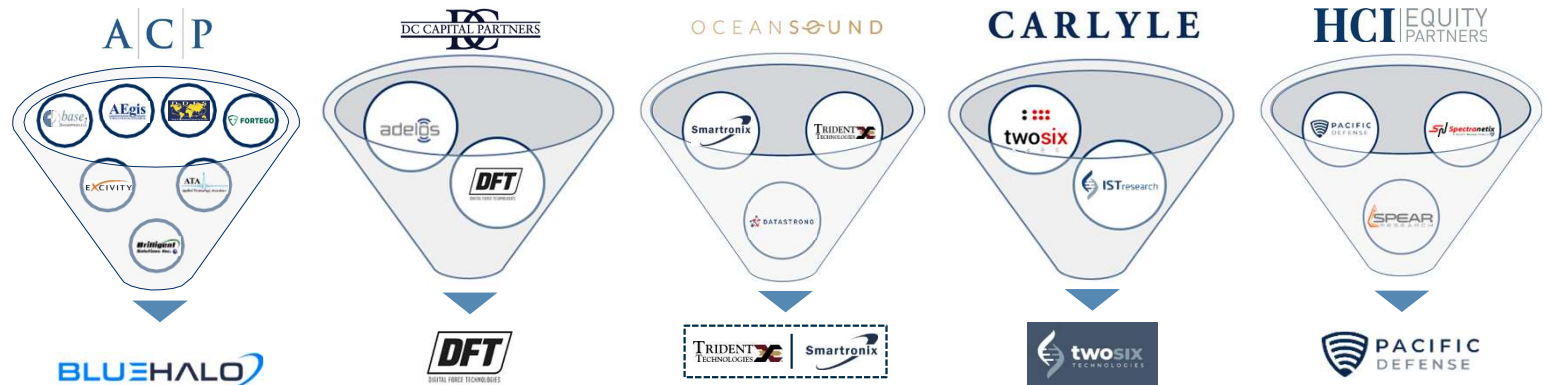
Recent Premium firms in the market



A new middle market

- Private equity firms have become increasingly active in the Defense & Government Services sector
- This new wave of capital has spurred an abundance of M&A activity and has created a new dynamic within the middle market

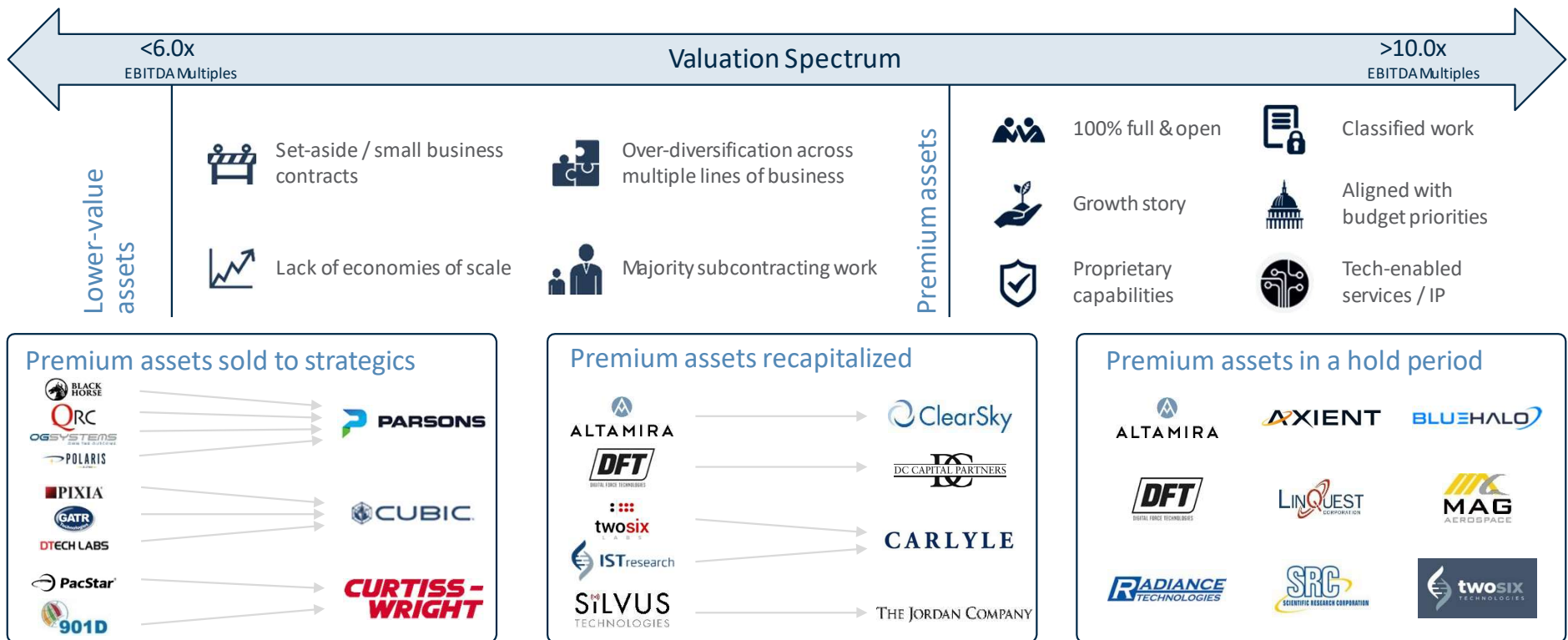
As more private equity firms enter the federal market, M&A activity continues to grow at a steady pace



Source: PitchBook, through Q4 2023

Bifurcated valuation market

The dearth of quality assets in the middle-market has led to a staunch bifurcation in valuations. Rare assets of scale receive premium valuations while investments seen as less attractive are valued accordingly



Positioning Themes

SECTION 3

Core positioning: the art of achieving a premium outcome

Positioning themes



Proven track record of providing the most complex programs within Special Operations Forces (SOF)



Global scalability



Capabilities drive potential to win new contracts



Experienced management team with world-class technical staff



Organic revenue and contract growth

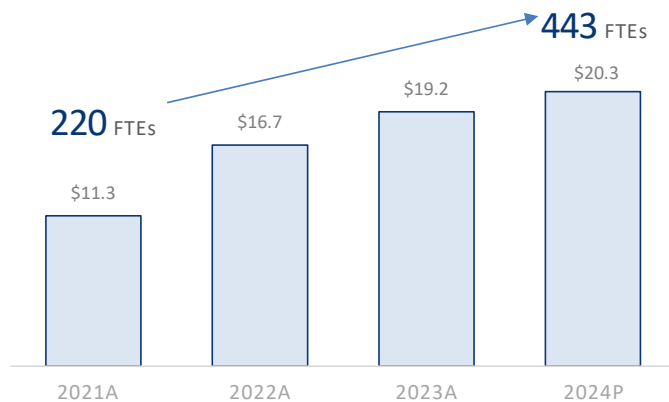
Difficult to replicate, highly-technical team with deep domain expertise

Tactical Tech XYZ’s best-in-class management team and technical employee base serve as competitive advantages against other market players.

- Tenured management team steering the growth and future success of Tactical Tech
- Rare, highly-technical workforce consisting of warfare analysts, engineers, modelers, testers, and developers who have deep domain expertise of military-based systems
- Deliberate, large-scale investment in recruitment has yielded increased development revenue and new, high-growth contributions

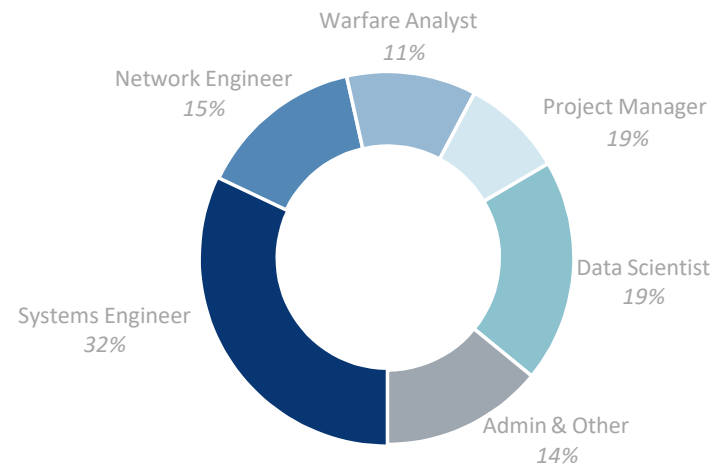
Tactical Tech’s “people capital” investment

Staff costs in \$ millions



Highly-technical employee base

% of total workforce



Other considerations

A strong deal process ensures that positive attributes are highlighted and that negative factors are positioned to buyers accordingly

Revenue Concentration	<ul style="list-style-type: none">• Dependency on key clients makes Tactical Tech vulnerable to contract loss• Limited diversification also leads to vulnerability to budget cuts
Irregularities in financials	<ul style="list-style-type: none">• High working capital requirements• No gross margin efficiency gains
Training & readiness market	<ul style="list-style-type: none">• Training is often one of the first items to be cut when military budgets are constrained, which may lead buyers to question the size of the total addressable market over the forecasted period
Liability for buyer	<ul style="list-style-type: none">• Part of Tactical Tech's business model includes sending employees into dangerous areas of the world

Initial positioning / response

- Highlight Tactical Tech's recent new contract wins, broadening its client base and pursuing opportunities in adjacent markets
- Emphasize ongoing negotiations for favorable payment terms and proactive optimization of inventory
- Tactical Tech is a goods and services driven business. COGS should be high and returns will follow
- Use detailed case studies to demonstrate how cost-effective virtual training tools will be net winners in a tightening budget environment
- Commission a market study
- Focus on track record and safety protocols to ease the mind of potential buyers

Process & Buyers Discussion

SECTION 4

Crafting a process to accomplish your key objectives

Key objectives

Response Levers

Maximize
valuation



Positioning & Pressure

- ✓ Artful marketing and positioning
- ✓ Leverage competitive process to drive outsized valuation
- ✓ Use positive financial momentum to push buyers toward a premium valuation

Certainty
to close



Senior Level Attention

- ✓ Rigorous process execution at every stage
- ✓ Day-to-day senior banker leadership
- ✓ Withhold exclusivity as late as possible

Optimize fit







Targeted Auction Process

- ✓ Approach logical buyer universe
- ✓ Run multiple parties to the end
- ✓ Provide a last look to buyers with the best cultural / customer fit

Introduction to the buyer universe

We have identified a targeted group of acquirers that are most likely to pursue a transaction with Tactical Technologies

Top Potential Buyers	
Tier 1 (Strategic)	Tier 2 (Strategic)
     	<p>Booz Allen Hamilton</p>     
Tier 1 (Private Equity)	Example Exclusions
     	   

Valuation

SECTION 5

Valuation Factors

Defense technology valuation spectrum

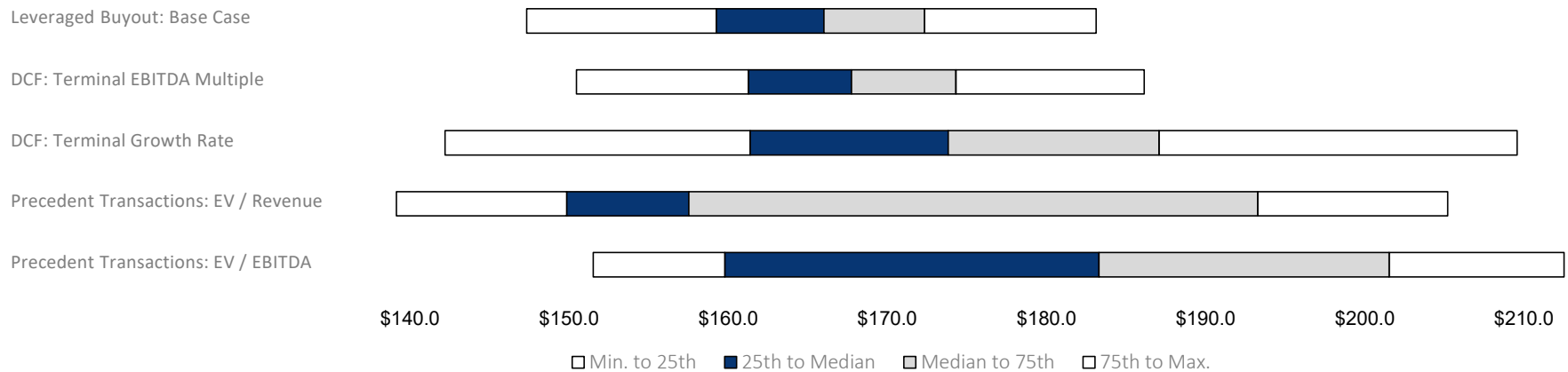
EBITDA multiple:	<6.0x	6.0x – 12.0x	>12.0x
Qualitative Factors:			
Capabilities	Commoditized	↔	Tech-enabled
Scarcity value	Multiple potential targets	↔	Single opportunity
Market growth	<5%	↔	>15%
Management team	Less experienced	↔	Strong, deep
Quantitative Factors:			
Revenue growth	0% - 10%	10% - 25%	>25%
Revenue composition	Non-recurring / Order-driven	↔	Recurring / Repeatable
Backlog / pipeline visibility	<25%	↔	>75%
EBITDA margin	<20%	20% - 30%	>30%
Program / customer concentration	High	↔	Low
Process Factors:			
Buyer universe	Limited	↔	Broad
Market environment	Poor	↔	Strong

Summary valuation

The following "football field" summarizes the valuation results of the methodologies we have employed in our evaluation of Tactical Tech

Summary of financial analyses

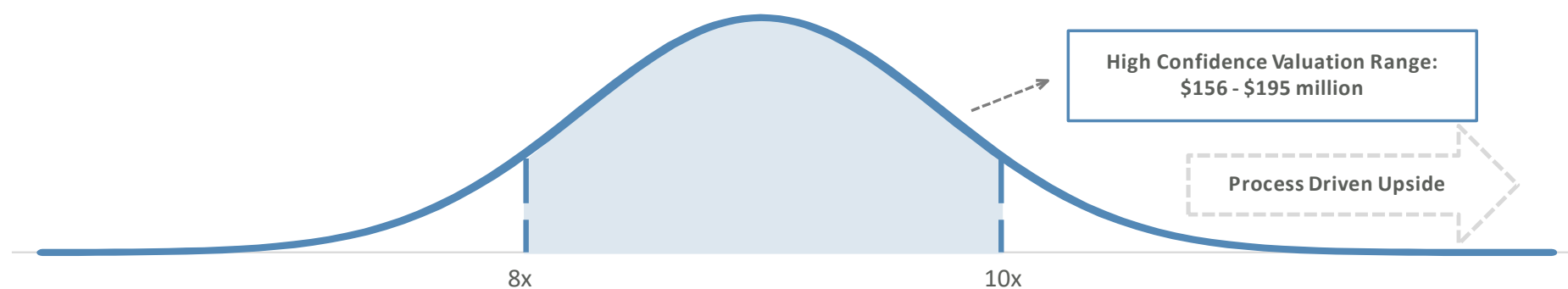
\$ in millions / implied multiple based off 2023P EBITDA



Note: The implied valuation ranges are derived from applying the upper and lower quartile multiples to TacticalTech's 2023P EBITDA. Please refer to the appendix for the underlying support and methodology of the build up to the various valuation ranges displayed above; Tactical Tech's 2023P EBITDA is \$19.5 million

Tactical Tech XYZ preliminary valuation

Based on the preliminary information received to date, our estimated valuation range is 8x – 10x 2023P EBITDA of \$19.5 million, on a cash-free debt-free basis



Assumptions & Considerations

- Detailed contract waterfall & new business pipeline that underscores revenue visibility and long-term growth
- Company tracks to projections during the process
- Competitive process
- Strong, defensible growth
- Ability to effectively scale operations to achieve heightened profitability levels

Process-driven upside

- Finding strategically motivated buyers that have synergistic revenue / cost opportunities
- Company tracks above 2023 projections
- Prime-contract growth
- Tactical Tech's global-scale increases

Selected Transactions Analysis

Implied Valuation Range

\$159 – \$201 million

Multiple Range

Implied LTM Multiple Range

8.2x - 10.3x 2023P EBITDA


















Select Transactions

Lower Quartile: 8.2x

Average: 9.3x

Median: 9.4x

Upper Quartile: 10.3x

Target	Acquirer	Close Date	LTM EV / EBITDA Multiple	Deal Value in millions
 BLACK HORSE	 PARSONS	July-2021	16.9x	203
Military Training Business of  L3HARRIS™ FAST FORWARD	 CAE	July-2021	13.5x	1,500
 LIBERTY IT Solutions	Booz Allen Hamilton	June-2021	15.1x	725
 CUBIC	 & Evergreen Coast Capital	May-2021	19.0x	3,000
ZENETEX Because Service Matters.	 VECTRUS TRUE TO YOUR MISSION	Dec-2020	8.4x	112
 METIS SOLUTIONS	 PAE	Nov-2020	9.7x	92
 QRC	 PARSONS	July-2019	11.9	214
 KeyW	Jacobs	June-2019	16.4x	815
 LGS INNOVATIONS	 CACI EVER VIGILANT	March-2019	9.2x	750
 GRIDSUM 国双	 CUBIC	Jan-2019	10.8x	86

Discounted Cash Flow Analysis

(\$ in millions)

	2023E	2024P	2025P	2026P	2027P	2028P
Revenue	139.2	150.3	162.3	175.3	189.3	204.5
% growth	15%	8%	8%	8%	8%	8%
EBIT	18.6	19.5	21.1	22.8	24.6	26.6
% of sales	13%	13%	13%	13%	13%	13%
(-) Taxes		4.1	4.4	4.8	5.2	5.6
% Tax Rate		21%	21%	21%	21%	21%
Unlevered Net Income		15.4	16.7	18.0	19.4	21.0
(+) D&A		1.1	1.3	1.6	1.9	2.2
(-) CapEx		2.3	2.4	2.6	2.8	3.1
(-) ▲ in NWC		1.6	1.7	1.8	2.0	2.1
Unlevered FCF		12.7	13.9	15.1	16.5	18.0

Growth in Perpetuity Method

- Discount rate is derived from a weighted average cost of capital (11.5%) calculation that uses comparable public companies
- Terminal value is derived from the final forecast year (2028P) FCF, adjusted to assume Tactical Tech will grow at a constant rate indefinitely (2.5%)

Implied EBITDA Multiple – Base Case

WACC	Terminal Growth Rate		
	2.0%	2.5%	3.0%
10.5%	9.6x	10.1x	10.6x
11.5%	8.6x	8.9x	9.3x
12.5%	7.7x	8.0x	8.3x

Implied Valuation Range

\$150 – \$206 million

Implied 2023E Multiple Range

7.7x – 10.6x
2023E EBITDA of \$19.5 million

Terminal EBITDA Multiple Method

- Discount rate is derived from a weighted average cost of capital (11.5%) calculation that uses comparable public companies
- Terminal value is derived by applying an assumed EBITDA multiple (10x) to Tactical Tech's projected 2028P EBITDA (\$28.6)

Implied EBITDA Multiple – Base Case

WACC	Terminal EBITDA Multiple		
	7.0x	8.0x	9.0x
10.5%	9.1x	10.0x	10.9x
11.5%	8.8x	9.6x	10.5x
12.5%	8.4x	9.3x	10.1x

Implied Valuation Range

\$163 – \$212 million

Implied 2023E Multiple Range

8.4x – 10.9x
2023E EBITDA of \$19.5 million

WACC Calculation

Weighted Average Cost of Capital

Capital Structure	
Debt / Capital	28%
Equity / Capital	72%

Cost of Equity	
Beta	1.22
Risk Free Rate	3.00%
Equity Size Premium	6.00%
Market Risk Premium	4.42%
Cost of Equity	14%

Cost of Debt	
Pre-Tax Cost of Debt	5.00%
Tax Rate	21.00%
Cost of Debt	4%

Tactical Technologies XYZ WACC	
WACC	11.5%

Beta Analysis

Comps.	Ticker	Beta	Total Debt	Equity Value	D/E	Debt Ratio	Tax Rate	Unlevered	Relevered
Kratos Defense, Inc.	KTOS	0.75	\$ 385.1	\$ 929.0	41.5%	29.3%	30.6%	0.58	0.74
Ducommun Inc.	DCO	1.59	\$ 328.2	\$ 335.6	97.8%	49.4%	8.1%	0.84	1.14
PTB Group Limited	PTB	1.29	\$ 33.6	\$ 87.7	38.3%	27.7%	28.1%	1.01	1.30
AAR Corp.	AIR	1.77	\$ 205.1	\$ 974.4	21.0%	17.4%	28.2%	1.54	1.98
Average:		1.35	\$ 238.0	\$ 581.7	49.7%	31.0%	24%	0.99	1.29
Median:		1.44	\$ 266.7	\$ 632.3	39.9%	28.5%	28%	0.92	1.22

Leveraged Buyout Analysis

(\$ in millions)

Illustrative Sources and Uses

Sources			Uses		
		% of Total			% of Total
Senior Debt	\$ 48.7	31%	Equity Payment	128.2	81%
Sub Debt	29.2	18%	Existing Debt	27.7	17%
Total Debt	77.9	49%	Fees & Expenses	3.0	2%
Sponsor Equity	60.7	38%			
Rollover Equity	20.2	13%			
Total Equity	80.9	51%			
Total Sources	\$ 158.8	100%	Total Uses	\$ 158.8	100%

Illustrative Returns Analysis to New Sponsor

Entry Multiple	Exit Multiple						
	6.5x	7.0x	7.5x	8.0x	8.5x	9.0x	9.5x
6.5x	28%	30%	31%	33%	35%	37%	38%
7.0x	23%	25%	27%	29%	30%	32%	33%
7.5x	20%	22%	23%	25%	27%	28%	30%
8.0x	17%	18%	20%	22%	23%	25%	26%
8.5x	14%	16%	17%	19%	21%	22%	23%
9.0x	12%	13%	15%	17%	18%	20%	21%
9.5x	10%	11%	13%	15%	16%	17%	19%

Implied Tactical Tech Valuation

Target - IRR %	Senior Debt - Leverage						
	1.75x	2.00x	2.25x	2.50x	2.75x	3.00x	3.25x
17%	8.8x	8.9x	9.0x	9.1x	9.2x	9.3x	9.4x
18%	8.6x	8.7x	8.8x	8.9x	9.0x	9.1x	9.2x
19%	8.3x	8.4x	8.6x	8.7x	8.8x	8.9x	9.0x
20%	8.1x	8.2x	8.4x	8.5x	8.6x	8.7x	8.8x
21%	7.9x	8.1x	8.2x	8.3x	8.4x	8.6x	8.7x
22%	7.7x	7.9x	8.0x	8.1x	8.3x	8.4x	8.5x
23%	7.6x	7.7x	7.8x	8.0x	8.1x	8.2x	8.4x

Summery P&L

(\$ in thousands)

	2021A	2022A	2023E	2024P	2025P	2026P	2027P	2028P
Revenue	80,668	121,001	139,151	150,284	162,306	175,291	189,314	204,459
COGS	(54,854)	(82,281)	(94,623)	(102,193)	(110,368)	(119,198)	(128,734)	(139,032)
Gross Profit	25,814	38,720	44,528	48,091	51,938	56,093	60,580	65,427
<i>Gross Margin %</i>	32%	32%	32%	32%	32%	32%	32%	32%
SG&A	(14,520)	(21,780)	(25,047)	(27,051)	(29,215)	(31,552)	(34,077)	(36,803)
D&A	(465)	(647)	(855)	(1,081)	(1,324)	(1,587)	(1,871)	(2,178)
Operating Profit	10,828	16,294	18,626	19,959	21,399	22,954	24,633	26,447
<i>EBIT Margin %</i>	13%	13%	13%	13%	13%	13%	13%	13%
Interest Expense	(1,983)	(1,533)	(3,804)	(2,959)	(2,039)	(1,615)	(1,139)	(603)
Earnings Before Tax	8,846	14,761	14,822	17,000	19,360	21,338	23,494	25,844
Taxes	(1,858)	(3,100)	(3,113)	(3,570)	(4,066)	(4,481)	(4,934)	(5,427)
Net Income	6,988	11,661	11,710	13,430	15,294	16,857	18,560	20,416
<i>Net Margin %</i>	9%	10%	8%	9%	9%	10%	10%	10%
EBITDA	11,293	16,940	19,481	21,040	22,723	24,541	26,504	28,624