

# BUYERS TARGET LOWER-LEVEL BUREAUCRACIES AMID STALL IN GOVERNMENT IT MARKET

GOVERNMENT IT SERVICES SECTOR UPDATE | DECEMBER 2025



**CAPSTONE  
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Capstone Partners, a subsidiary of Huntington Bancshares Incorporated (NASDAQ:HBAN), has been a trusted advisor to leading middle market companies for over 20 years, offering a fully integrated range of expert investment banking and financial advisory services uniquely tailored to help owners, investors, and creditors through each stage of the company's lifecycle.

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# Government IT Services

## Buyers Target Lower-Level Bureaucracies Amid Stall in Government IT Market

### KEY SECTOR TAKEAWAYS

Capstone Partners' Aerospace, Defense, Government & Security (ADGS) Group is pleased to share its Government Information Technology (IT) Services report. Sector merger and acquisition (M&A) activity has remained flat through year to date (YTD) as cuts to federal spending on contracts, grants, and loans led by the newly-formed Department of Government Efficiency (DOGE) have disrupted a key revenue base for the Government IT Services market. Active sector buyers have shifted their acquisition strategies to state, local, and education (SLED) levels of government, seeking to shelter inorganic growth from the fallout of uncertain federal contracting opportunities. While M&A has slowed, sector equity financing activity has expanded year-over-year (YOY) as investors have sought to establish equity stakes in cutting-edge artificial intelligence (AI) and autonomy developers within the Defense segment. Several key report takeaways are outlined below.

1. Government IT Services sector M&A volume has remained flat YOY, with 81 deals announced or completed in YTD 2025.
2. The Software segment has been the sole segment to experience significant M&A growth to date, as demand for differentiated solutions targeting Defense and Public Safety end markets remains robust amid heightened levels of geopolitical tensions and domestic unrest.
3. While leading public strategics have endured the highest priced contract cancellations to date, small business IT providers have experienced the largest cuts to contract volume.
4. Public companies in Capstone's Government IT Services index have displayed underperformance in share price and depressed trading multiples relative to wider IT and Public markets, further depressing sector M&A.
5. Cybersecurity has remained a mission-critical priority for federal, state, and local organizations, supported by sustained spend on cybersecurity within government budgets.

Capstone Partners has developed a full suite of corporate finance solutions to help privately-owned businesses and private equity firms navigate through each stage of a company's lifecycle. These solutions include financial advisory services, merger and acquisition advisory, debt advisory, equity capital financing and employee stock ownership plan (ESOP) advisory.

To learn more about Capstone's wide range of advisory services and Government IT Services sector knowledge, please [contact us](#).

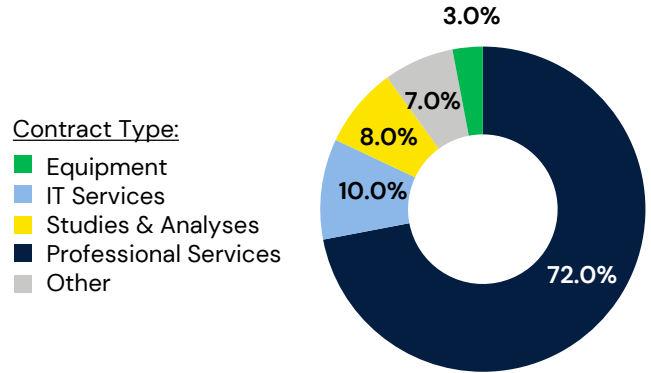
## DOGE COST CUTTING CAMPAIGN HITS SMALL BUSINESS IT PROVIDERS

The Government IT Services sector has experienced significant disruption, largely driven by federal government cost saving initiatives. In an effort to identify and reduce wasteful and fraudulent spending, DOGE has reviewed government service contracts across key agencies, downsizing and terminating ~\$61 billion worth of opportunities as of October 2025, according to the DOGE Wall of Receipts.<sup>1</sup> Key IT segments including Computer Systems Design Services, Custom Computer Programming Services, and Other Computer Related Services have been repeatedly targeted by DOGE for contract cancellations. This sudden injection of volatility into a historically stable business environment has exposed many leading IT firms to potential risk. CACI (NYSE:CACI) generated 95.3% of revenues from the Department of War (DOW)

and federal civilian agencies in the last twelve months (LTM) period ending June 2024, according to its 2024 annual report.<sup>2</sup> Similarly, Leidos (NYSE:LDOS) and Science Applications International Corporation (Nasdaq:SAIC) derived 87% and 98% of overall revenue from the U.S. government within the periods ending January 2025 and February 2025, respectively, according to company filings.<sup>3,4</sup> Threats to these revenue streams have introduced both near-term margin pressure and long-term strategy implications for market participants. While these efficiency initiatives have disrupted the federal subsidiaries of consulting giants like Accenture (NYSE:ACN) and Deloitte, the DOGE-led downsizing efforts have been most impactful for small organizations. Of the 9,595 DOGE-led terminations conducted through March 2025, 60.3% have targeted contracts awarded to small businesses with less than 500 employees, according to the American Small Business Chamber of Commerce (ASBCC).<sup>5</sup> IT services' contracts have accounted for 16.3% of small business work terminations, totaling 943 contracts. The diminished financial health of these smaller organizations has introduced considerable volatility into the sector's middle market. Small IT enterprises have relied heavily upon the recurring revenues offered by government contracts. The subsequent loss of consistent revenue sources is expected to hamper acquisition interest, presenting headwinds for middle market M&A activity.

For these companies, securing contracts within SLED levels of government will likely prove key to recovering or maintaining financial stability. These lower levels of bureaucracy have largely been isolated from federal government downsizing initiatives. IT modernization efforts across state administrations have continued as local governments have sought to update legacy and disparate technology frameworks. Funding in these markets has shown strength, with the majority (82%) of state IT budgets increasing or remaining stable in FY 2025, according to the National Association of State Chief Information Officers (NASCIO)'s 2025 State CIO Survey.<sup>6</sup> Acquirers within the Government IT Services sector will likely favor companies with more diversified revenue sources across all levels of government, as well as Commercial and Industrial markets.

### DOGE Terminations Target Professional and IT Services Contracts



Note: Data through March 2025  
Source: G2X and Capstone Partners



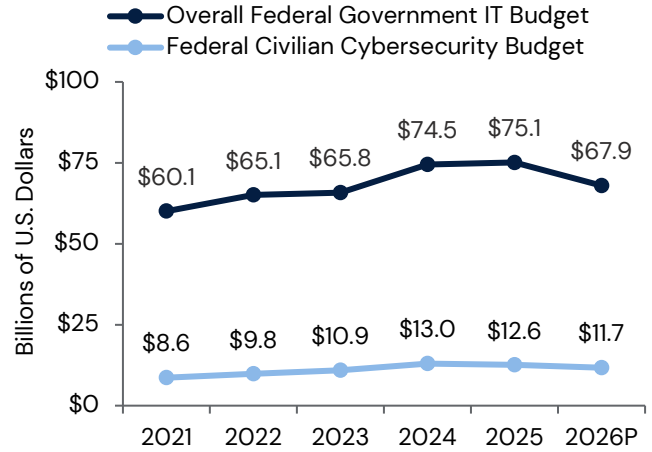
Tess Oxenstierna,  
Head of ADGS  
Investment Banking

*"Continued downsizing or cancellation of federal IT contracts is compressing the margins of the largest government services providers, calling into question their long-term strategic growth. Equally, small IT enterprises, who are less able to pivot to new business models, have borne the brunt of the contract terminations, represented by 60% of DOGE-led downsizing in Q1 2025."*

## CYBERSECURITY REMAINS CRITICAL TO PROTECT AGING IT SYSTEMS

IT systems have become critical components of government operations, aiding in delivering public services, streamlining information, storing data, and introducing scalability and innovation into bureaucracy. However, the systems used across government agencies have faced an increasingly costly threat: age. Antiquated and disparate systems significantly hamper the efficacy of government bodies, complicating communication both within and between organizations. Older systems have been unable to integrate and leverage new technologies such as AI and machine learning (ML), while facing sunsetted updates and technical support. Most importantly, these archaic systems possess paltry security features compared to modern system architectures, exposing the sensitive operations and data of government agencies to significant vulnerability. Legacy IT systems have been most exposed to attacks from private hacking groups, nation-state actors, and nation-state sponsored entities. Headline-grabbing incidents such as the 2024 hacking of sensitive U.S. Army National Guard data by China-backed hacker group Salt Typhoon and the 2020 infiltration of the U.S. federal government by the Russia-backed cybercriminal syndicate Nobelium have underscored considerable increases in nation-sponsored cyberattacks. Chinese-backed cybercrime increased 150% YOY in 2024, while Iran ramped up its efforts by 133% in May and June 2025 compared to the March through April period, according to data compiled by the U.S. House Homeland Security Committee.<sup>7</sup>

**Cybersecurity Proportion Increases Despite Nominal Decrease in FY2026**



*P* indicates proposed budget  
 Source: Office of Management and Budget, U.S. Government Publishing Office, and Capstone Partners

As such, cybersecurity has only expanded in its role as a key component of modern homeland security. Despite facing the consequences of government downsizing initiatives, cybersecurity spending as a share of overall government IT spending proposed for fiscal year (FY) 2026 has risen from 16.8% in 2025 to 17.3%, according to the Office of Management and Budget (OMB).<sup>8</sup> This proportion has increased nearly 3% since 2021 while adding nearly \$3 billion to federal cybersecurity spending. Adjacently, cybersecurity has become an increasing focus of the DOW. The organization has proposed a budget of \$15.1 billion in FY 2026 for cyberspace activities—consisting of cybersecurity, cyberspace operations, and research and development (R&D), according to the U.S. Congress.<sup>9</sup> This sum has consistently risen to greater than or equal to 20% of the Department’s total IT budget over the past five budget cycles (2022–2026), indicating the importance of securing the nation’s assets, according to GovWin IQ.<sup>10</sup> Emerging initiatives from the Pentagon are likely to propel future defense-based cybersecurity spending. The DOW revised its cyber force generation model in November 2025, reorganizing into the U.S. Cyber Command (USCYBERCOM) 2.0. Further, the potential establishment of an independent U.S. Cyber Force to compete with the likes of the Chinese People’s Liberation Army (PLA) Cyberspace Force—which was stood up in April 2024—may reframe and emphasize the treatment of military cybersecurity as a core branch of the Pentagon.



**Tom McConnell,**  
 Managing Director

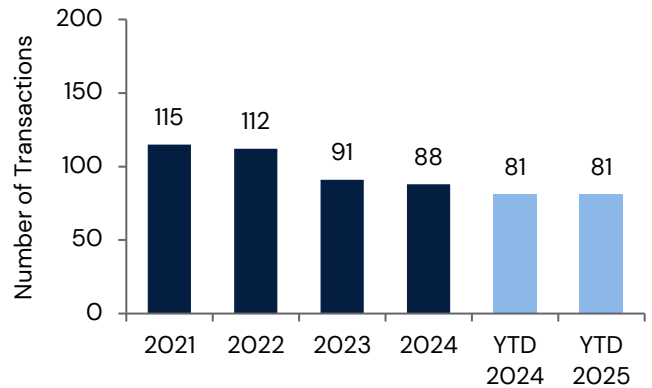
*“Cybersecurity stands out as an area that continues to clear the high bar for government spending. With adversaries offensively deploying the latest in AI technology, this is an area that simply cannot be cut. For the foreseeable future, this trend will continue.”*

## FEDERAL SPENDING REDUCTION HAMPERS M&A ACTIVITY

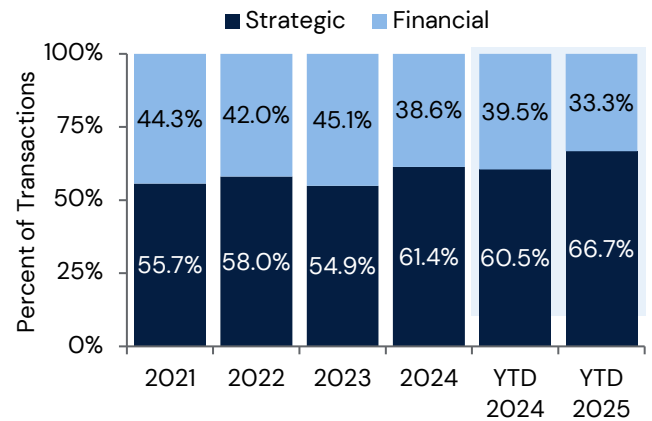
Government IT Services sector deal volume remained consistent in YTD 2025, posting 81 transactions announced or completed. Federal contracting volatility has paused IT modernization efforts that previously buoyed sector M&A, leading to volume decreases across Cloud, Cyber, and Healthcare IT segments. Software segment targets with differentiated offerings have displayed strength amid weak appetite, up from eight deals in YTD 2024 to 19 in YTD 2025 as increased focus on defense and public safety software solutions—propped up by expanding budgets—has isolated the space from wider sector M&A dynamics.

Financial buyers have pulled back from the sector amid uncertainty. The interruption of stable revenue flows from multi-year government contracts has disturbed buyers' valuation confidence, with the average EV/Revenue multiple falling two turns to 1.3x in 2024-YTD, compared to the prior two-year period. Sponsors have halted platform investments, dropping 50% YOY. Buy-and-build strategies have remained timid to date, posting one additional add-on amid a less attractive target pool. Public-led dealmaking has buoyed strategic dealmaking, increasing 42.9% YOY with buyers equally favoring unique intellectual property (IP) and general diversified IT services. Private strategics have tampered near-term inorganic growth strategies, showing no change YOY in deal count.

**Government IT Services M&A Stalls**



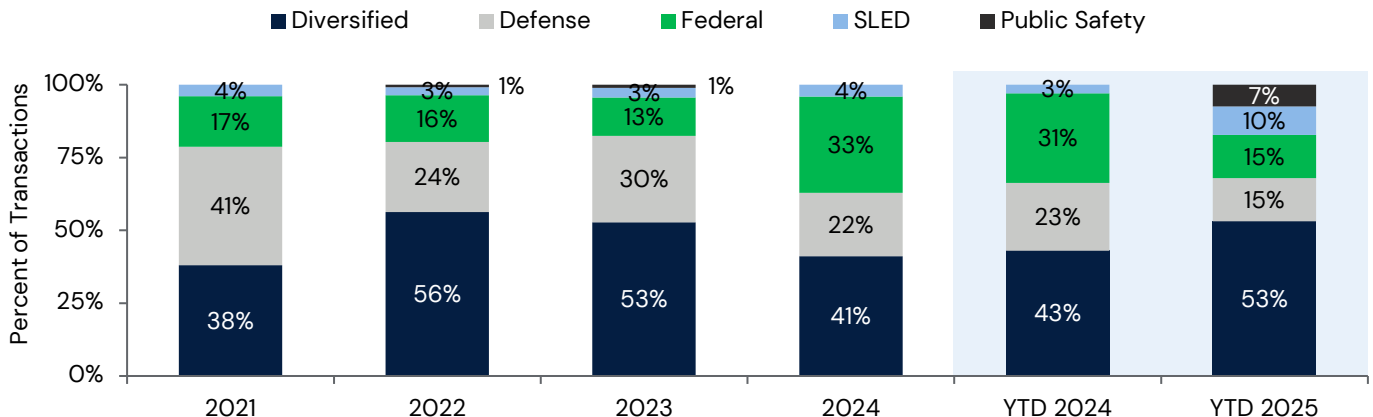
**Strategics Retain Majority of Sector M&A**



Year to date (YTD) ended December 1  
 Source: Capital IQ, FactSet, PitchBook, and Capstone Partners

Sector dealmaking has prioritized IT providers catering to lower levels of government amid a recent decrease in federal opportunities. Targets exclusively servicing SLED government agencies have comprised 10% of total sector deal volume to date compared to 3% in YTD 2024. Acquirers have largely avoided federal-focused targets while considerably expanding their positions in public safety-oriented organizations.

**Acquirers Increasingly Target SLED and Diversified Public Sector End Markets**



SLED = State, local, and education  
 Year to date (YTD) ended December 1; Source: Capital IQ, FactSet, PitchBook, and Capstone Partners

## CAPSTONE ADVISES EXTRA DUTY SOLUTIONS ON EQUITY INVESTMENT

In June 2025, [Capstone Partners](#) advised [Extra Duty Solutions](#)—a leading provider of off-duty program administration services and scheduling software solutions to law enforcement and public safety agencies—on a significant growth equity investment from PE firm [Bregal Sagemount](#). Terms of the deal are confidential.

[Extra Duty Solutions](#) provides law enforcement off-duty program administration services and on- and extra-duty scheduling software. EDS leverages cutting-edge technology to streamline administrative processes including communications, shift scheduling, payroll, customer invoicing, and debt collection, allowing law enforcement agencies to focus on the safety of their citizens. EDS has offices in Connecticut, New Jersey, North Carolina, Florida and Texas.

Bregal Sagemount is a leading growth-focused private capital firm with more than \$7.5 billion of cumulative capital raised. The firm provides flexible capital and strategic assistance to market-leading companies in high-growth sectors across a wide variety of transaction situations. The investment will support EDS' strategic growth initiatives focused on enhancing its technology offerings, expanding its geographic footprint, and growing its portfolio of solutions for law enforcement and public safety agencies.

### Capstone's Government Expertise Identifies Growth Opportunities for Extra Duty Solutions



//

*Leveraging Capstone's outstanding process, sector knowledge and sage advice, we found an optimal partner for continued success. Sagemount shares our commitment to doing what is right for agencies, end-user customers and officers and fits perfectly with our culture...As we enter our next phase of growth, we are excited to partner with Sagemount and leverage their expertise in scaling market-leading technology-enabled businesses...*

//

**Rich Milliman**  
Founder & CEO, Extra Duty Solutions



**Tom McConnell,**  
Managing Director

*"Since originating the extra duty administration industry over a decade ago, EDS has grown consistently and profitably with law enforcement clients in more than 32 states. EDS' rapid growth and strong customer retention are underpinned by its clear and durable value proposition. In turn, Sagemount brings deep experience supporting the success and evolution of technology enabled service providers like EDS through investment in people, process and technology."*

## NOTABLE GOVERNMENT IT SERVICES M&A TRANSACTIONS



In August 2025, archTIS (ASX:AR9) acquired Spirion for an enterprise value of \$9 million, equivalent to 0.9x EV/Revenue. Spirion develops cybersecurity software focused on privacy and loss prevention for sensitive data, serving government customers in Education, Healthcare, and Public Utilities markets. The company’s data discovery and classification capabilities were cited as key drivers behind the deal, allowing archTIS to bolster its zero-trust architecture (ZTA) offerings at a government IT inflection point. Of note, Executive Order 14306 (June 2025) mandates the implementation of ZTA for federal agencies, according to the White House.<sup>11</sup>



Tyler Technologies (NYSE:TYL) acquired emergency services software developer Emergency Networking (July 2025, undisclosed). Updated guidance mandating the implementation of the National Emergency Response Information System (NERIS) in U.S. fire and emergency medical services (EMS) stations by January 2026 proved a critical driver of the deal. Emergency Networking was among the first providers to achieve NERIS compliance. The company’s management, staff, and solutions have been folded into Tyler’s Public Safety Solutions division. Prior to the deal, Emergency Networking served as Tyler’s fire records and recording partner.



AE Industrial Partners-backed CASE Consulting, a provider of software development and cloud engineering services to federal government and national security customers, acquired Ragnarok Technologies in July 2025 for an enterprise value of \$39.5 million. Ragnarok strengthens CASE’s engineering services in cloud infrastructure and software development while bringing in net new capabilities within blockchain and digital forensics. This latest acquisition is the third add-on transaction for CASE, following its purchases of CyberKinetics (April 2024, undisclosed) and Fire Team Solutions (October 2022, undisclosed).



Defense software and systems engineering firm Parsons (NYSE:PSN) acquired Chesapeake Technology International (CTI) in June 2025 for an enterprise value of \$89 million, equivalent to approximately 1.0x EV/Revenue and 10.0x EV/EBITDA. CTI develops defense technologies, including command and control (C2) and electronic warfare solutions. Once folded into Parsons’ Defense & Intelligence business unit, CTI will expand Parsons’ ability to service multi-domain, full-spectrum warfare operations and increase the company’s presence in the U.S. Indo-Pacific Command (INDOPACOM) region.



In June 2025, Washington Harbour Partners-backed Raft acquired N3bula Systems (undisclosed). Raft has positioned itself as an alternative to the prime defense contractors, leveraging its agility and expertise in autonomy to win contracts against more sluggish legacy competitors. The acquisition of N3bula was central to this strategy, bolstering the Raft portfolio with its agentic AI infrastructure. Raft notably secured a \$349 million data contract with U.S. Special Operations Command (USSOCOM) in September 2025, according to a report by GovCon Wire.<sup>12</sup>



Leidos acquired Kudu Dynamics, an offensive cybersecurity developer, for an enterprise value of \$300 million (May 2025). The transaction is a core component of Leidos’ NorthStar 2030 strategy to aggressively expand its cyber offerings while realigning the rest of its portfolio with government cost and efficiency initiatives. Kudu’s strategic geographic positioning—headquartered in the U.S. intelligence community center of Virginia—has brought with it opportunities to expand Leidos’ relationships with key organizations and agencies within Civilian and Military markets.

## SELECT GOVERNMENT IT SERVICES M&A TRANSACTIONS

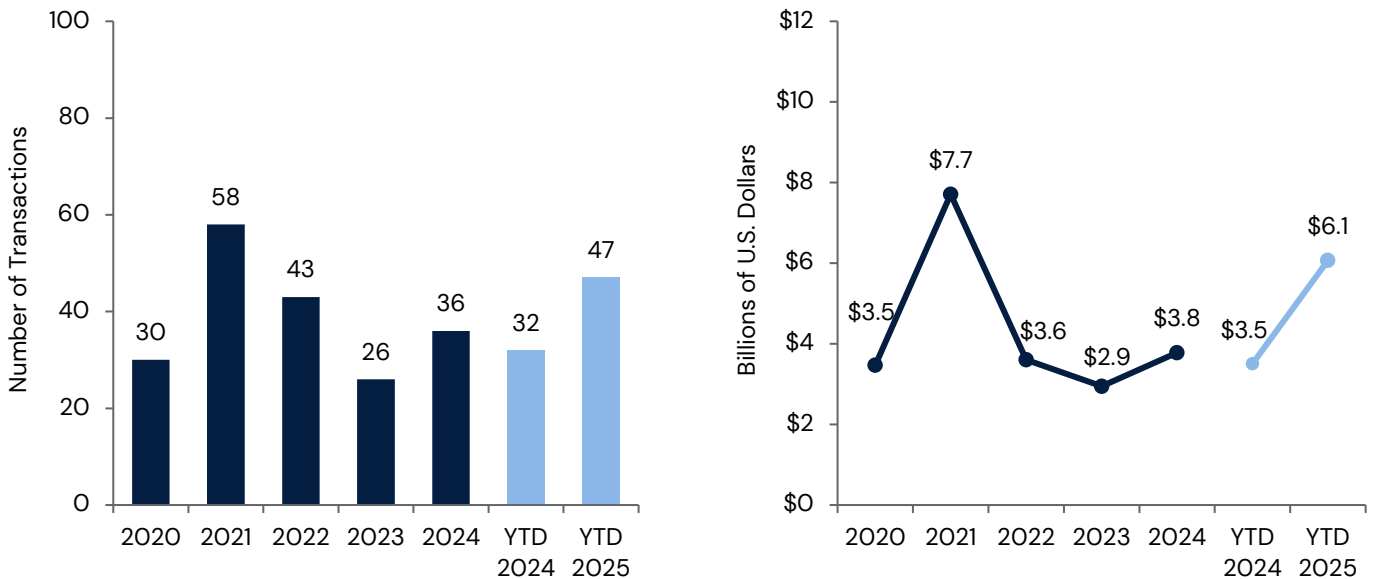
Date	Target	Acquirer	Target Business Description	Enterprise Value (mm)
11/19/25	CloudGavel	Tyler Technologies (NYSE:TYL)	Develops an electronic warrant platform for law enforcement agencies, courts, and prosecutors.	-
11/18/25	JBA	TekSynap	Provides cyber operations, engineering, and IT services to federal agencies.	-
11/10/25	Ask Sage	BigBear.ai	Develops generative AI solutions for the public sector.	\$250.0
11/07/25	CyberSolve	Hexaware Technologies (BOM:544362)	Provides cybersecurity and access control solutions.	-
11/06/25	Carbyne	Axon (NYSE:AXON)	Develops real-time emergency communication software.	\$625.0
10/06/25	SilverEdge Government Solutions	SAIC (Nasdaq:SAIC)	Provides custom software-as-a-service (SaaS) solutions to defense and intelligence agencies.	-
09/08/25	Epsilon	American Systems	Offers managed IT services to commercial and government customers.	-
09/08/25	Spartan Radar	Pro-Vision Solutions	Builds automated mobility sensor software for military use cases.	-
08/26/25	Spirion	archTIS (ASX:AR9)	Develops IT security and data privacy software.	\$10.2
08/19/25	Previstar	Summit Exercises and Training	Designs emergency incident response software.	-
08/18/25	Caesar Creek Software	Enlightenment Capital	Provides software, security, and network contracting and consulting services.	-
07/31/25	Scale Computing	Acumera	Engineers edge computing and virtualization solutions to commercial and SLED government customers.	-
07/28/25	Emergency Networking	Tyler Technologies (NYSE:TYL)	Develops emergency medical services software.	-
07/23/25	Maryville Consulting Group	Accenture (NYSE:ACN)	Provides IT advisory and integration services.	-
07/16/25	Ragnarok Technologies	Case Consulting	Offers various IT services.	\$39.5
07/16/25	Dorrean	Applied Information Sciences	Provides IT and intelligence services to government agencies.	-
07/08/25	Abacode	Thrive Operations	Offers managed cybersecurity and compliance services.	-
06/30/25	Chesapeake Technology	Parsons (NYSE:PSN)	Develops command and control, electronic warfare, and cyber-spectral software.	\$89.0
06/17/25	Raft	N3bula Systems	Builds AI-powered defense platforms for autonomous battle management.	-
05/28/25	Kudu Dynamics	Leidos (NYSE:LDOS)	Develops offensive cybersecurity and non-kinetic military software.	\$300.0
05/28/25	DragonSpears	Improving Corporate Services	Provides IT and consulting services, including software development and cloud management.	-
05/08/25	stackArmor	Tyto Athene	Offers security and compliance IT solutions to regulated industries and government agencies.	-
05/01/25	Star Lab Software	Mercury Systems (Nasdaq:MRCY)	Develops cybersecurity solutions for U.S. defense assets.	-

Source: Capital IQ, PitchBook, FactSet, and Capstone Partners

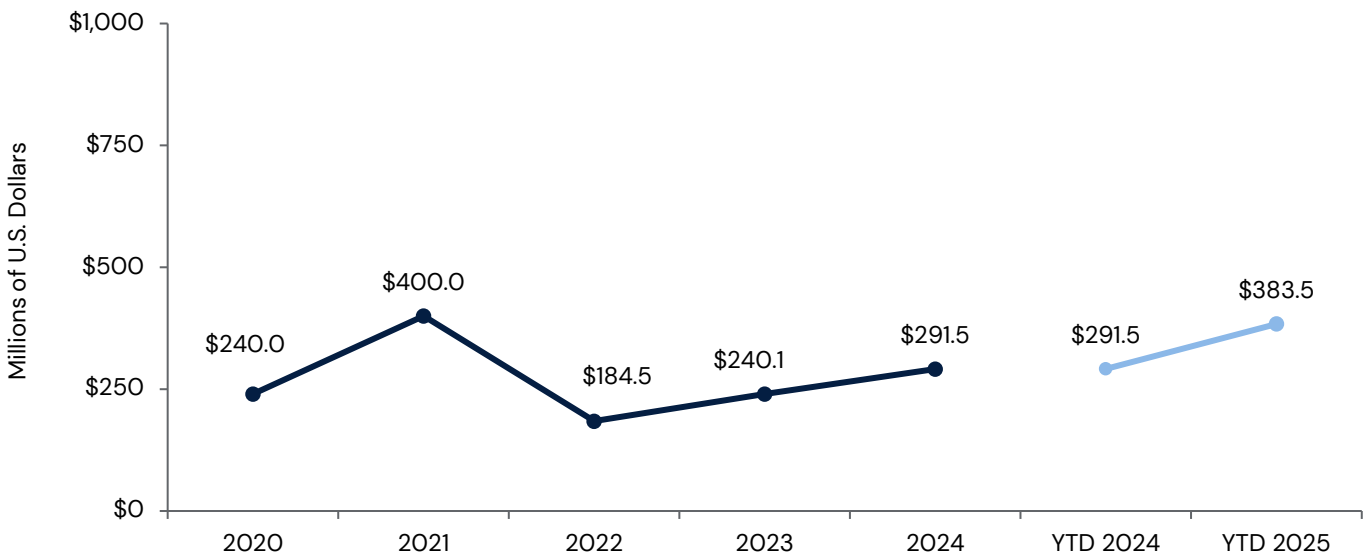
## WARFIGHTER ENABLEMENT SOFTWARE ATTRACTS EQUITY FINANCING

Equity investors have expanded their positions within the Government IT Services sector in YTD 2025. Growth capital deal volume has risen 46.9% YOY in YTD 2025, extending 2024 gains. Total capital invested to date has increased considerably by 73.1% YOY. Many sector participants have pursued equity financing in lieu of M&A amid a drawback in buyer appetite, with eager investors deploying funds to obtain lucrative positions in intelligent and autonomous solutions across IT segments, with unmanned aerial systems (UAS) and counter-UAS (C-UAS) software garnering heightened attention. The median pre-money valuation for sector participants has expanded 31.6% YOY as sizeable companies that may have been ripe targets in a more favorable M&A market have instead engaged in additional later-stage funding rounds.

### Government IT Services Sector Financing Activity Displays Improvement Amid M&A Downturn



### Median Government IT Services Pre-Money Valuation Expands Upon AI, Autonomy Arms Race



Year to date (YTD) ended December 1; Data excludes deals less than \$25 million and greater than \$5 billion  
Source: PitchBook and Capstone Partners

## NOTABLE EQUITY FINANCING ROUNDS

### BATTLEFIELD MANAGEMENT TECHNOLOGIES



**\$30 Million**  
Series B  
May 2025

In May 2025, Reveal Technology received \$30 million in Series B funding for a post-money valuation of \$221.5 million. Reveal develops AI-powered real-time intelligence and tactical operations platforms for military and public safety organizations. Reveal's significant growth helped attract the financing, with the company's revenue having increased tenfold between 2024 and 2025 thanks to lucrative contracts with U.S. Special Operations Command (SOCOM) and European militaries, according to a company press release.<sup>13</sup> The funding round was led by Ballistic Ventures.



**\$240 Million**  
Series F  
March 2025

Defense technology company Shield AI secured \$240 million in Series F financing for a post-money valuation of \$5.3 billion (March 2025). Shield AI develops autonomous software and hardware products, including its Hivemind vehicle operation platform and V-BAT drone. This latest funding round will enable the company to target the rapidly growing drone industrial base by scaling Hivemind Enterprise—a commercially-focused version of its Hivemind software that includes development and testing solutions. The capital raise included notable defense contractor L3Harris (NYSE:LHX).

### AUTONOMOUS SYSTEMS SOFTWARE



**\$93.3 Million**  
Growth Equity  
August 2025

Forterra, a developer of self-driving technologies for industrial and defense convoys, raised \$93.3 million in growth equity funding led by 645 Ventures (August 2025). The company has raised \$411.3 million to date, with this latest funding part of a wider \$188 million-goal capital raise, according to a press release.<sup>14</sup> This funding will be critical to the support of ongoing projects at the company, including an Armored Multi-Purpose Vehicle (AMPV) development partnership with BAE Systems (LSE:BA.) and a U.S. Army contract to support autonomous unmanned systems.



**\$30 Million**  
Series A  
June 2025

Allen Control Systems (ACS) raised \$30 million in a Series A funding round led by Craft Ventures (June 2025). The capital raise gives the company a post-money valuation of \$174 million. ACS develops passive drone detection software and autonomous weapons systems for land and sea domains, converting legacy U.S. weapon models into automated turrets. The company plans to use the funding to expand its engineering team and commercialize its Bullfrog gun turret systems after a successful Joint Counter-Small Unmanned Aircraft Systems Office (JCO) demonstration.

### EQUITY CAPITAL MARKETS GROUP

The [Equity Capital Markets Group](#) focuses on raising equity capital financing for growth-oriented companies and is active in the Government IT Services sector. Our team works closely with our ADGS Group to help our clients secure equity capital to fund growth initiatives, recapitalize the balance sheet (often including shareholder liquidity), and to finance M&A transactions.

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## PUBLIC GOVERNMENT IT PROVIDERS UNDERPERFORM WIDER MARKET

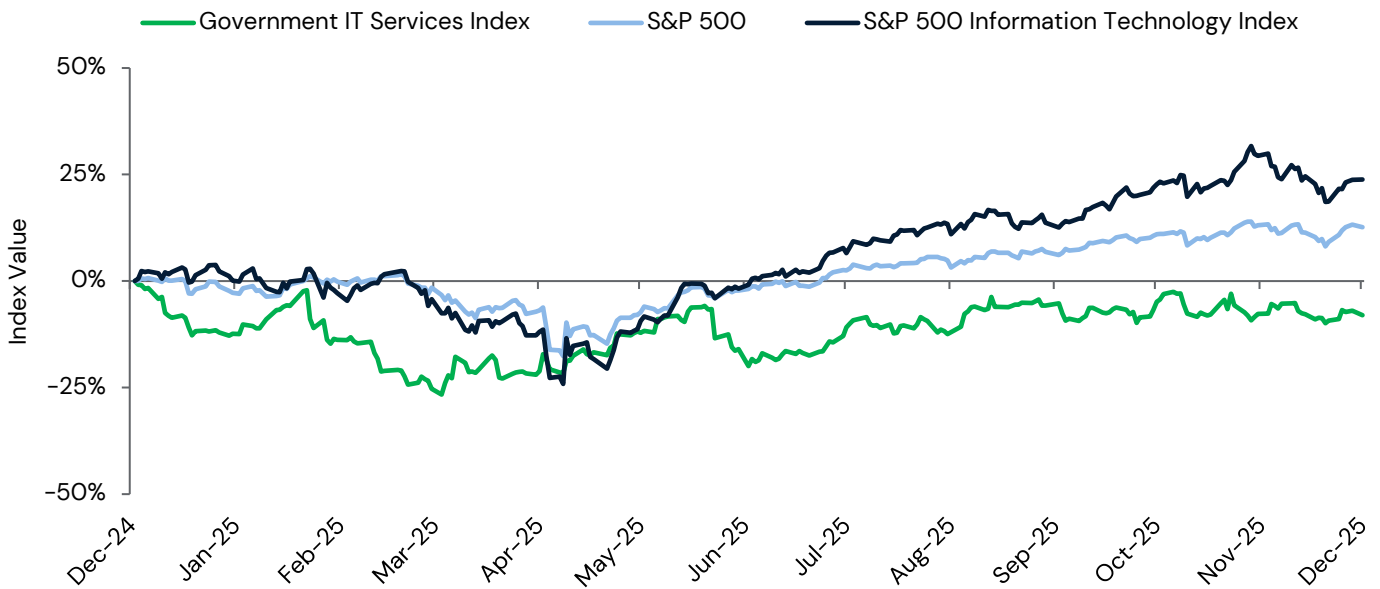
Company	Price 12/01/25	% 52 Wk High	Market Cap	Enterprise Value	LTM			EV / LTM	
					Revenue	EBITDA	Margin	Revenue	EBITDA
Booz Allen Hamilton Holding Corporation	\$82.44	55.0%	\$10,000.1	\$13,345.1	\$11,706.0	\$1,378.5	11.8%	1.1x	9.7x
CACI International Inc.	\$612.25	96.8%	\$13,518.3	\$16,588.1	\$8,858.6	\$1,115.4	12.6%	1.9x	14.9x
ICF International, Inc.	\$77.87	55.8%	\$1,435.6	\$2,058.7	\$1,925.5	\$234.8	12.2%	1.1x	8.8x
Leidos Holdings, Inc.	\$188.42	91.6%	\$24,090.5	\$28,390.5	\$17,332.0	\$2,551.8	14.7%	1.6x	11.1x
Science Applications International Corporation	\$86.24	64.8%	\$3,968.9	\$6,329.9	\$7,460.0	\$684.0	9.2%	0.8x	9.3x

<b>Mean</b>	12.1%	1.3x	10.7x
<b>Median</b>	12.2%	1.1x	9.7x
<b>Harmonic Mean</b>	11.8%	1.2x	10.4x

EV = enterprise value; LTM = last twelve-month  
\$ in millions, except per share data

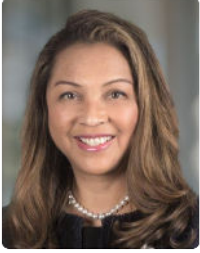
### Government IT Services Providers' Share Performance Falls Below Wider IT, Public Markets



Year to date (YTD) ended December 1; Government IT Services Index includes: BAH, CACI, ICFI, LDOS, SAIC  
Source: Capital IQ, PitchBook, FactSet, and Capstone Partners



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Tess is a Managing Director and Head of Capstone's ADGS Group with over 35 years of experience across the ADGS industry, government policy arena, and financial services sector. Tess holds deep domain knowledge and has closed transactions in high-growth markets of C4ISR and ALSS Systems. Prior to joining Capstone, Tess founded the Aerospace and Defense practice at a middle market boutique investment bank, focusing on private and public corporate clients with diverse products such as command and control (C2) software for aerial drones, satellite-based force tracking systems, and electronic warfare devices used in Afghanistan and Iraq. She has also served as Global Head of Equities Strategy at Lehman Brothers—responsible for strategy development leveraging competitive intelligence, market analysis, and acquisitions across Americas, Europe, and Asia—and Director of Corporate Development and Strategy at Raytheon. Prior to joining the industry, she served in the Reagan White House, U.S. Department of State, and NATO Headquarters. Tess has spoken at the Satellite Show, MILSAT Symposium, ACG NY, Thompson Reuters' A&D Summit, Int'l AUVSI Conferences, New York Capital Roundtable, and appeared on ABC's Government Matters. She serves on the Board of the National Medal of Honor Leadership & Education Center, the U.S. Navy League – Connecticut Council, and is a Commander, U.S. Navy Reserve (ret.). She was awarded the Investment Banker of the Year, 2024, M&A Atlas Awards.

**Tom McConnell**

Managing Director  
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Tom joined Capstone Partners in 2011 and brings over 25 years of investment banking experience for clients' benefit. He has an impressive track record of completed transactions with cyber security, physical security, compliance and risk management related companies. Mergers, acquisitions, and capital raise engagements with founder-owned, private equity-backed and public corporations across the United States and internationally, demonstrate the depth of his sector knowledge and transaction acumen. Throughout his career, Tom has also believed in the importance of giving back to the community and has been recognized for his professional accomplishments and leadership. He co-founded Colorado Cyber with the mission of connecting private and public sector leaders in the Government IT Services ecosystem, stimulating discussion on critical issues, and supporting economic growth. Tom has also served on numerous nonprofit boards including the Breckenridge Outdoor Education Center, Griffith Centers for Children, and the Denver Advisory Board.

**Brendan Bradley**

Market Intelligence Associate  
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Brendan serves as a Market Intelligence Associate at Capstone Partners covering the Aerospace, Defense, Government & Security and Healthcare industries. Prior to joining Capstone, Brendan was an analyst at VDC Research, a Boston-based market research and consulting firm, where he provided M&A commercial due diligence, growth opportunity analysis, product strategy support, and consumer insights research to technology vendors and investment firms. Brendan graduated with a Bachelor of Arts degree in Economics with a Concentration in Financial Markets from Colby College.

## FIRM TRACK RECORD

Capstone has a proven track record of providing advisory services to highly innovative and disruptive technology companies across the ADGS industry, including businesses within the Government IT Services sector. Several of these transactions are highlighted below.



HAS BEEN ACQUIRED BY



a portfolio company of




HAS BEEN ACQUIRED BY



a portfolio company of




HAS BEEN ACQUIRED BY




HAS BEEN ACQUIRED BY




HAS BEEN ACQUIRED BY



A portfolio company of




has divested



TO



“ As a repeat customer of Capstone, we continue to be impressed with their ability to provide comprehensive support and expertise throughout a complex process that is always challenging. Capstone’s ability to understand a business in detail and position the organization in a manner that identifies outstanding potential parties and optimizes their clients value is greatly appreciated. We saw Capstone as more than a business partner and the Capstone team was a pleasure to work with. Without question we continue to recommend Capstone to other peer business owners. ”

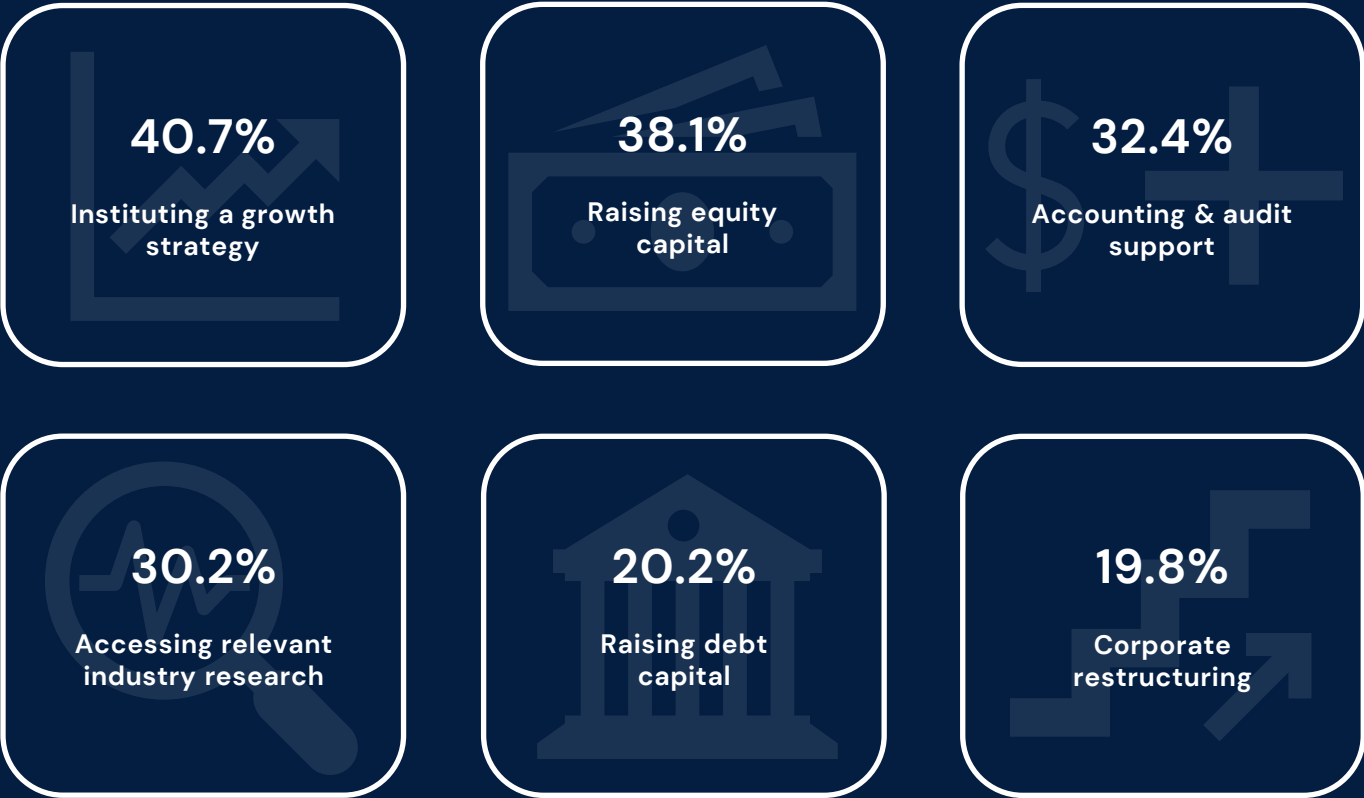
**David Knigge**  
CEO, AstreaX

## CAPSTONE’S PROPRIETARY RESEARCH REVEALS TOP SERVICES IN DEMAND

The stage and initiatives of a business often dictate which financial services are in demand. As the bulk of CEOs polled in Capstone’s 2024 Middle Market Business Owners Survey indicated growth strategies are a priority for 2025, the lion’s share (40.7%) of owners anticipate a need for growth strategy support services. Similarly, 38.1% of CEOs require equity capital advisory services to support operational initiatives and business expansion. Nearly one-third of owners require accounting and audit support to shore-up cash flows and establish financial stability. In addition, 30.2% of CEOs demonstrated an interest in accessing relevant industry research to keep up with emerging industry trends, complete competitor analyses, and track capital markets activity in their space.

Capstone has developed a full suite of [corporate finance solutions](#) to help privately owned businesses and private equity firms through each stage of the company’s lifecycle, ranging from growth to an ultimate exit transaction. In addition, we developed specialty advisory practices to provide financial performance, buy-side, employee stock ownership plan (ESOP), and equity and debt services. All of these capabilities are supported by 12 industry banking groups, an active sponsor coverage group, and a dedicated Market Intelligence Team.

### Top Financial Services Required by Business Owners in 2025



Question: Have you ever had, or do you anticipate having, a need for any of the following services?  
 Source: Capstone Partners’ Middle Market Business Owner Survey, Rebased Sample Size (N): 278



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### Disclosure

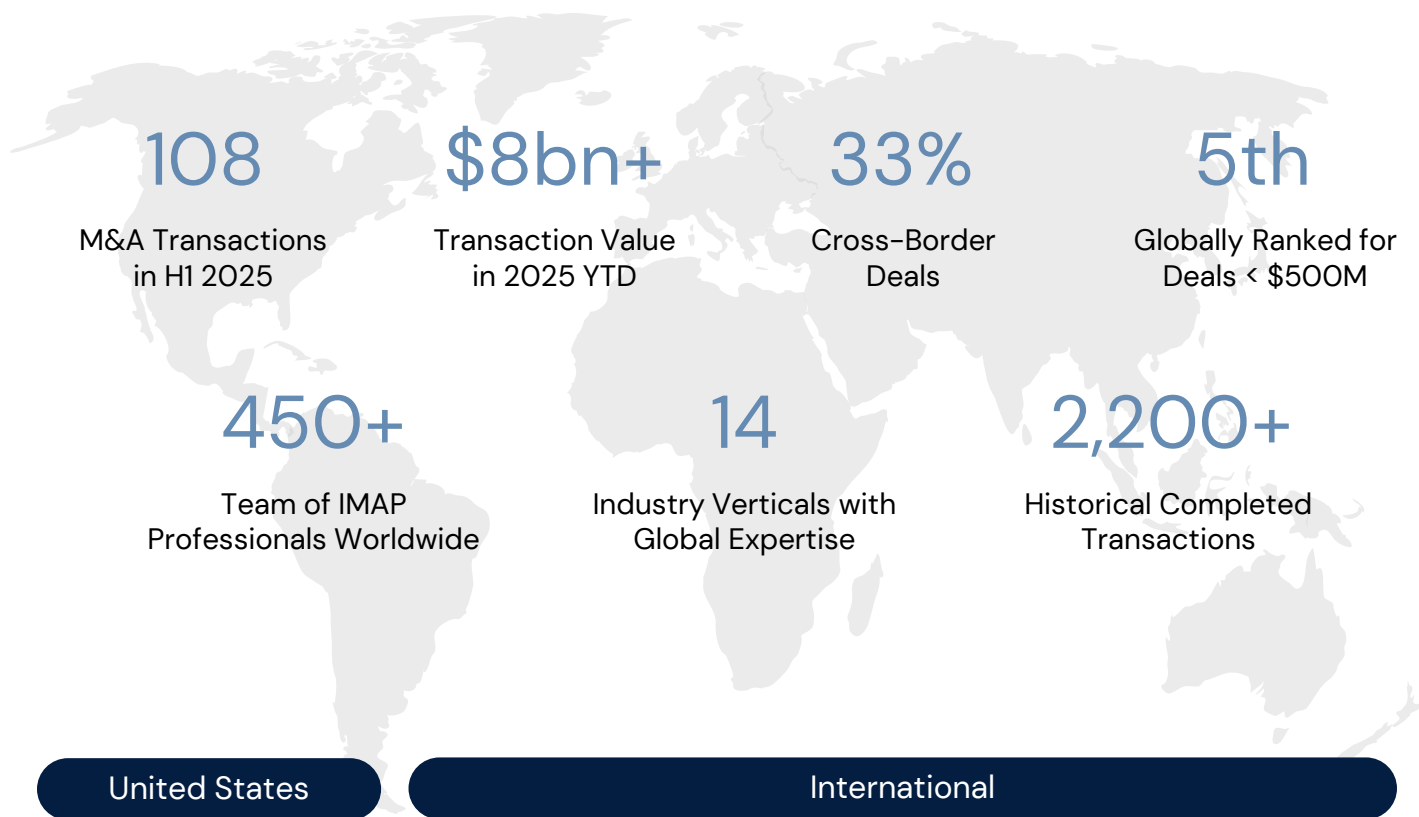
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# CAPSTONE PARTNERS

## Market Presence

With a long-established U.S. footprint, together with an international partner platform, we provide clients with broad expertise and access to key market relationships on a global basis. Our presence is backed by ~200 professionals in the U.S. with 450+ professionals across 51 countries.



~200 professionals  
8 offices

Boston · Denver · Chicago · Dallas  
Detroit · Irvine · New York · Tampa

450+ professionals  
60+ offices in 51 countries

**Asia:** China · India · Japan · Thailand

**Africa:** Congo · Cameroon · Ghana · Mauritius · Morocco · Senegal · South Africa ·  
Uganda · Zimbabwe

**Americas:** USA · Canada · Argentina · Brazil · Chile · Colombia · Mexico · Panama & Central  
America · Paraguay · Peru

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**Middle East:** Egypt · Oman · Qatar · Saudi Arabia · United Arab Emirates