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# Government Contracting Group

Dedicated to Leveraging Industry Experience

Bank of America  
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## *Industry Leading Government Contracting Platform*

- Bank of America is the #1 lender to the Government Contracting industry with over \$5 billion in loan commitments, including \$3 billion to small and middle market government contractors nationally
- Relationships with 82% of the top 100 government contractors (*Washington Technology*) and 75% of the top 200
- One fifth of the *Washington Technology's* Fast 50 Small Businesses in the government contracting market bank with Bank of America
- BofAML has the largest and longest standing government contracting (“GovCon”) practice of any local, regional, or national bank that dates back over 30 years

*The BofA Merrill Lynch Government Contracting Group represents a dedicated team of specialists whose mission is to help our clients achieve their strategic and financial objectives through the use of our intellectual and financial capital*

# Agenda

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- **Industry Overview 2020 and beyond**
- **Building Enterprise Value**
- **What makes you buyable makes you bankable**

# 2020 By the Numbers

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- The funding level is consistent with the \$716 billion 2018 Bipartisan Budget Act national defense spending cap for FY 2019.
- For 2020, of the \$718 billion, more than \$104 billion is set aside for research, development, test and evaluation programs, approximately \$143 billion set aside for procurement costs with additional funds over \$300 billion intended for operations, maintenance, military housing and similar areas

- **Moody's Rating Analysis (MRA Spreads)**
- **Understanding the Numbers**
- **Make a plan, stick to the plan**

- **Prepare to Exit**
- **Increasing Multiplier**
- **Realizing Enterprise Value**

# What Makes You Buyable

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- Professional Services or Systems Integration, Manufacturing or Supplier(Capabilities)
- DOD only or Diversity of Clients (Customers)
- Full and Open or are there multiple contracts in place? Set aside or Full and Open. Sub or Prime (Contracts, Prime/Sub Mix)
- Growth Top line and Bottom line. (Year over Year Performance)
- What is the company's backlog? How much is funded and unfunded? How does this compare with prior periods? (Revenues)
- Building the Balance Sheet. (Enterprise Value/Managing the Business)
- One main IDIQ or several contract vehicles (diverse)
- Lots of capabilities and customers or one main customer with 1 or 2 capabilities. (Focus)



- **Creating Enterprise Value**
- **Past Performance**
- **Building the Business**

# What Makes You Bankable?

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- What is management's background including prior Government or military experience? (Capabilities)
- How long has the borrower performed contracts of this type? (Past Performance/Customers)
- Are there any concentrations with certain Government agencies? Are there multiple contracts in place? Set aside versus Full and Open. (Contracts, Prime/Sub Mix)
- Good successes with winning re-competed contracts and high win rate on new contracts. Growing top and bottom line. Waterfall and PWIN (Year over Year Performance)
- What is the company's backlog? How much is funded and unfunded? How does this compare with prior periods? (Revenues)
- Moderate to low leverage on balance sheet, borrowing base leverage and expense control. (Managing the Business)
- What kind of accounting system is being used? (Controls)
- Are legal, accounting advisors, insurance and bankers well versed with sufficient experience in dealing with Government contracts? (Outside Employees)

# Potential Challenges

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- **Revenue Recognition accounting standard change – what does it mean for government contractors**
- **NIST 800-171 cyber requirements – what is new with CMMC requirements**
- **The Runway Extension Act and changes to small business size standard measurement protocol**
- **Recent rule changes for LPTA procurements**
- **Interest expense deduction limitation – what changed under the new tax law**