Defence, ITBs and Economic Development
presented to Eastern Alberta Trade Corridor - Local to Global Forum

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ITB/Offsets Manager, Canada
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Agenda

• Canadian Defence Sector
• Peraton Overview
• ITBs, Offsets and Obligations
• Current Opportunities
• Project SkySensus
Canadian Defence Sector

Key Metrics

- Defence budget $18.6B
- 0.9% of GDP
- R&D Spend $400M

- Exports 60% of Revenue
  - #1 Export Region Middle East/Africa (22%)
  - #2 Export Region USA (20%)

- 660 companies
  - 90% SMEs

- 60,000 industry employees
- 73,180 active and reserve CAF

PROVIDING CAF THE RIGHT CAPABILITIES AT THE RIGHT TIME

Military in-service support ensures that Canadian Armed Forces equipment and fleets are well maintained, operationally ready and safe.

CANADIAN ARMED FORCES EQUIPMENT BY THE NUMBERS:

- 350 Aircraft
- 36 Ships and Vessels
- 9000 Land Vehicles

Performance: enhance operational readiness for equipment and fleets;
Flexibility: improve contract flexibility to adapt to changes in operations;
Economic benefits: create jobs and economic benefits for Canadian companies;
Value for money: provide goods and services are provided at a fair market price.

WE ARE CHANGING HOW WE DO BUSINESS AND WE ARE SEEING RESULTS!
Opportunities

- Defence Budget forecast to grow 70% over the next decade
- Total Defence Spending $533B over 20 years

- Upcoming Major Programs:
  - Canadian Surface Combatant $60B
  - Future Fighter $15B
  - Future Aircrew Trainer $3.5B + $2.2B
  - Remotely Piloted Aircraft Program $2B

Full listing of planned programs available at:
Google “Defence Capabilities Blueprint”
Canadian Defence Industrial Base - Capability Distribution

Regional Representation & Specializations

Western Canada (20%)
- Aircraft MRO
- Naval vessel MRO
- Naval shipbuilding and conversions
- ISS contracts

Ontario (38%)
- Combat vehicle fabrication
- Aircraft and aircraft parts fabrication
- Land-based sensors, fire control, and countermeasures

Atlantic Canada (14%)
- Aircraft MRO
- Airborne sensors, fire control, and countermeasures
- Naval shipbuilding and conversions

Quebec (28%)
- Munitions
- Airborne sensors, fire control, and countermeasures
- Aircraft simulation systems
About Peraton

AT A GLANCE

- Headquartered in Herndon, VA
- 3,500 employees worldwide
- $1.1B annual revenue
- 55+ years serving defense, federal civilian, and Intelligence Community customers
- 89% revenue as prime
- Certified
  - CMMI® Level 3 SCAMPI appraisal

Markets We Serve

- Space
- Intelligence
- Cyber/SIGINT
- Defense
- Homeland Security
- Electronic Warfare
- Communications

OUR MISSION

To Protect and Promote Freedom Around the World

We secure your future
We support our warfighters and national security decision-makers by developing mission-critical solutions across all operational regimes of air, land, sea, space, and cyberspace.

We connect your world
We provide satellite and terrestrial communications, network optimization, network operations and sustainment, and managed security services for missions that cannot fail.

We safeguard your enterprise
We provide digital forensics, threat and vulnerability assessments, secure network operations centers, security operations centers, and innovative remediation efforts for critical networks.

We enhance human knowledge
We empower humans with knowledge gained through scientific discovery, advanced research and development, and the exploration of space.

We protect your borders
We operate and maintain airborne radars, national transportation systems, border management systems, and passport/VISA control systems to control threats to our homeland.

We enable commerce
We provide integrated logistics support, supply chain management, and training and sustainment to ensure the efficiency of the worldwide flow of goods and services is maximized.
About Peraton

Our customers require skilled teams working side-by-side across a broad national security focus

Our people...

- 93% Direct customer engagement
- 81% Security cleared (TS+ cleared 1,221)
- 58% Located on customer sites
- 300+ Engineers (RF, electrical, satellite)
- 300+ Scientists & physicists
- 638 Software engineers
- 274 Program/project managers
- 264 Systems engineers
- 138 Network/CM

Imperative to customers’ missions in...

- Space
- Intelligence
- Cyber/SIGINT
- Communications
- Defense
- Homeland Security
- Electronic Warfare
- Communications

Generate results...

- $1.1B Revenue
- 53% Cost Reimbursable
- 47% Fixed Price/T&M
- 89% Revenue as Prime
- 91% Average Award Fee
- $613M Backlog (funded)
- $2.4B Backlog (unfunded)
- 85% Recompete win rate

Broad capabilities...

- CMMI® Level 3 SCAMPI appraisal
- Agile development
- Modeling and simulation
- Hardware manufacturing
Customer Partnerships

Our customer relationships extend over decades of continuous partnership

### Intelligence Community

<table>
<thead>
<tr>
<th>Agency</th>
<th>Image</th>
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<tbody>
<tr>
<td>Director of National Intelligence</td>
<td><img src="image1" alt="Director of National Intelligence" /></td>
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<tr>
<td>National Reconnaissance Office</td>
<td><img src="image2" alt="National Reconnaissance Office" /></td>
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<td>National Security Agency</td>
<td><img src="image3" alt="National Security Agency" /></td>
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<td>National Geospatial-Intelligence Agency</td>
<td><img src="image4" alt="National Geospatial-Intelligence Agency" /></td>
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<td>Central Intelligence Agency</td>
<td><img src="image5" alt="Central Intelligence Agency" /></td>
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<tr>
<td>Defense Intelligence Agency</td>
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### Defense

<table>
<thead>
<tr>
<th>Agency</th>
<th>Image</th>
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<tbody>
<tr>
<td>Royal Canadian Air Force</td>
<td><img src="image7" alt="Royal Canadian Air Force" /></td>
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<tr>
<td>U.S. Air Force</td>
<td><img src="image8" alt="U.S. Air Force" /></td>
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<tr>
<td>U.S. Navy</td>
<td><img src="image9" alt="U.S. Navy" /></td>
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<td>U.S. Army</td>
<td><img src="image10" alt="U.S. Army" /></td>
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<td>U.S. Marine Corps</td>
<td><img src="image11" alt="U.S. Marine Corps" /></td>
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<tr>
<td>Defense Information Systems Agency</td>
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### Federal Civilian

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<tr>
<td>National Aeronautics and Space Administration</td>
<td><img src="image13" alt="National Aeronautics and Space Administration" /></td>
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<tr>
<td>Department of Homeland Security</td>
<td><img src="image14" alt="Department of Homeland Security" /></td>
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<tr>
<td>Department of Health and Human Services</td>
<td><img src="image15" alt="Department of Health and Human Services" /></td>
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<tr>
<td>Department of Justice</td>
<td><img src="image16" alt="Department of Justice" /></td>
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<tr>
<td>National Oceanic and Atmospheric Administration</td>
<td><img src="image17" alt="National Oceanic and Atmospheric Administration" /></td>
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<tr>
<td>Department of State</td>
<td><img src="image18" alt="Department of State" /></td>
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### Long-Standing Customer Relationships

<table>
<thead>
<tr>
<th>Years</th>
<th>Agency</th>
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<tbody>
<tr>
<td>35 years</td>
<td>Royal Canadian Air Force</td>
</tr>
<tr>
<td>55 years</td>
<td>U.S. Navy</td>
</tr>
<tr>
<td>30 years</td>
<td>U.S. Air Force</td>
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<tr>
<td>30 years</td>
<td>Intelligence</td>
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<tr>
<td>30 years</td>
<td>DISA</td>
</tr>
<tr>
<td>30 years</td>
<td>NASA</td>
</tr>
<tr>
<td>30 years</td>
<td>HHS</td>
</tr>
<tr>
<td>25 years</td>
<td>U.S. Army</td>
</tr>
<tr>
<td>20 years</td>
<td>State Department</td>
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About Peraton Canada

Customer mission success delivered through a focused Integrated Equipment Management Team approach

Our people...

91% Direct customer engagement
76% Secret security clearance
16% Located at customer sites

Including...

• Professional Program Managers
• Supply Chain Managers
• Engineers
• Certified Electronic Technicians
• Logisticians

Certifications...

• ISO 9001:2015 / AS9100D
• Acceptable Design Organization (ADO)
• Acceptable Technical Organization (ATO)
• Acceptable Maintenance Organization (AMO)
• Acceptable Materiel Support Organization (AMSO)
• Multiple TAAs & MLAs to satisfy ITAR requirements

Imperative to customers’ missions in...

• Supply Chain Management
• Maintenance & Repair
• Engineering Solutions

Generate results...

99.9% Serviceability rate on delivery
99.5% Response times met
98.8% Materiel demand satisfaction rate

Including...

Direct customer engagement
Secret security clearance
Located at customer sites

Imperative to customers’ missions in...

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Including...

Direct customer engagement
Secret security clearance
Located at customer sites
Peraton Canada Functional Organization

Operations Focus with Full Functional Support in all Areas
Peraton Canada Value Proposition

Supporting Defence Platforms for Over 35 Years

Mission Sustainment
• Canada’s only prime contractor for fighter platform avionics support
• The only company in Canada to hold four (4) technical airworthiness accreditations
• Platform-agnostic support designed to optimize program performance

Engineering Solutions
• 250,000+ artifacts in Configuration Management
• 600+ Test Program Sets developed

Supply Chain Management
• Care, control and custody of $870M of GOM; 10x the next largest allocation in Canada
• 94,000 unique line items
• 300+ approved vendors in the supply chain
• 250 international shipments of ITAR/CCG annually

Maintenance & Repair
• 50,000+ repairs completed
• 99.9% serviceability on delivery
• 99.5% response times met
Customer Partnerships

Our Customer Relationships extend over Decades of Continuous Partnership

Defence

Royal Canadian Air Force

U.S. Navy

U.S. Marine Corps

Long-Standing Customer Relationships

35 years Royal Canadian Air Force

25 years U.S. Navy / U.S. Marine Corps

10 years Foreign Military (FMS)

Foreign Military Sales

Royal Australian Air Force

Finnish Air Force

Spanish Air Force

Armasuisse

Kuwait Air Force

Malaysian Air Force
Customer: DND / RCAF

**Period of Performance:** April 2011 – March 2020 (Performance Based Logistics Contract)

**Program Scope:** Program includes Program Management, Technical Information support, Repair & Overhaul of the entire CF-18 Avionics suite and associated Support Equipment and Automated Test Equipment, Supply Chain Management including control of over $450M of government owned materiel, Life Cycle Management, and Engineering Support services including software and hardware development and support for Automated Test Equipment

**Current Status:**
- 50,000th repair completed in 2018
- CF-18 fleet extending to *approximately 2032*
- Contract being *extended* to fleet end life
- Several *upgrades planned* to the avionics suite due to the life extension of the fleet
CF-18 Propulsion Group Sustainment (PGS) Program

Customer: MAGELLAN / DND / RCAF

Period of Performance: May 2017 – April 2026 (Rolling Wave, Performance Based Logistics Contract)

Program Scope: Program includes Supply Chain Management with on-base supply rooms supporting the CF-18 F-404 engines and associated aircraft power systems, materiel procurement for 1st and 2nd Line maintenance and subcontract management for the aircraft Auxiliary Power Unit and Generator Converter Unit

Current Status:

• Transition of Supply Chain from DND completed
• Customer Service Windows opened 4 months early
• IOC achieved ahead of schedule
• FOC completed on schedule
International Business/Foreign Military Sales

Customer: International FMS Community

Program Scope: ATE upgrades, repairs and avionics support to the international F/A-18 community

Current Status:

• RADALT Tester replacement project in process
• AYK-14 Mission Computer Tests Program Set in process
• HTS Upgrade project; orders received from Switzerland, Kuwait and Australia in progress
• North Island Depot Support at USN in for contracting
Portable Adaptive Test Station

Deployable mission system tester capable of testing:

- RADAR
- Stores Management
- Communications
- Displays

Hybrid Test Station

Support for over 600 individual aircraft Shop Replaceable Assemblies:

- Digital/Analog Circuit Cards
- Component level repair

Electronic Warfare Test Station

Design, develop and maintain Electronic Warfare test capabilities for:

- RADAR Warning Receivers
- Pulse Jammers
- Low Band Continuous Wave Jammers

Consolidated Automated Support System

Developing test capability for critical systems:

- Mission Computer
- Radar Altimeter
- GPS / Inertial Nav
- RADAR
• **System Obsolescence Upgrades**
  – Regulatory requirement to upgrade four avionics systems
    – Radios, MIDS-JTRS, EGI and IFF
  – JHMCS
    – Digital upgrade plus Night Vision capability
  – Digital Up-Front Control
    – Upgrade to include new control & display technology
  – TWDL
    – Adding to targeting and sensor capability
Peraton’s Supply Chain

Peraton Trusted Suppliers

- BAE Texas (ALE-47 Sequencer / HUD Camera)
- BAE Systems (CIT)
- BAE NY (RPYC)
- DLS (MIDS)
- DRS Technologies (BLOS COM)
- Elbit (D-CVRS)
- General Dynamics (Mission Computer)
- GE Aviation (SMS / EIBU / GCU)
- Honeywell (SDR / SDC) / APU / FCU
- Aerospace Maintenance Solutions (Standby Inst.)
- Kerflex (Standby Inst)

- L-3 ES (Color Displays / HUD)
- Lockheed Martin Orlando (CASS)
- Lockheed Martin (AMIRS)
- Lockheed Martin RMS (JSECST / 126B)
- Northrop Grumman (EGI)
- Raytheon Canada (Radar)
- Raytheon Golita (DEWS)
- Collins Aerospace (Radios)
- Extent (AMU / ALE-47)
- Telephonics (ACI)
- RCEVS (JHMCS)

- 300+ Parts Suppliers & Manufacturers in our Approved Vendor Database (approx. 60% SMBs)
- Contracting with and advancing the development of small businesses
- Fostering our mentor-protégé programs
Project Scope: The acquisition of 88 next generation fighter aircraft and associated in-service and logistics support to permanently replace Canada’s legacy CF-18 fleet.

<table>
<thead>
<tr>
<th>Project Metrics</th>
<th>Competition</th>
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<tbody>
<tr>
<td><strong>Total Contract Value:</strong> $19B (Acquisition &amp; Sustainment Set-up only)</td>
<td><strong>Suppliers:</strong> Three primes — Lockheed Martin (F-35) Boeing (Super Hornet) Saab (Gripen E)</td>
</tr>
<tr>
<td><strong>Period of Performance:</strong> Initial 5-year contract for Sustainment Set-up; Initial Sustainment Services and Steady State rolling wave through 2060+ unfunded; multiple competitions over fleet life possible</td>
<td></td>
</tr>
<tr>
<td><strong>Draft RFP:</strong> 2019 <strong>Final RFP:</strong> Released in July 2019 <strong>Contract Award:</strong> 2021/22</td>
<td></td>
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**SMB Impact:** 15% Mandatory SMB Content

$2.9B investment in SMBs

**Opportunity Highlights**

**Customer:** Royal Canadian Air Force  
**Contracting Agency:** Public Service and Procurement Canada (PSPC)  
**Competition Type:** Competitive, Single Award  
**Evaluation Method:** Best Value (Technical | Price | Value Prop/ITB)  
**Contract Type:** Foreign Military Sales (FMS)
**Halifax Class Combat System In-Service Support (HCCS ISS)**

**Project Scope:** To provide through-life in-service and logistics support to the installed combat system on-board Canada’s 12 Halifax-class frigates at both West and East Coast locations.

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</tr>
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<tr>
<td><strong>Total Contract Value:</strong> $600M - $1B</td>
<td><strong>Incumbent:</strong> None, CSI – Lockheed Martin</td>
</tr>
<tr>
<td><strong>Period of Performance:</strong> Initial 6-year contract; rolling wave through-life to 2040</td>
<td><strong>Suppliers:</strong> Peraton, Lockheed Martin, Thales, Babcock L3, IMP</td>
</tr>
<tr>
<td><strong>Draft RFP:</strong> Feb/Mar 2018</td>
<td><strong>Customer MIRs:</strong> 1. Primacy of operations; 2. Maintenance of the combat system equipment group Design Intent; 3. Stewardship of materiel; 4. Cost effective and rapid capability insertion; 5. Continuous improvement through innovation; 6. Achieve established performance goals</td>
</tr>
<tr>
<td><strong>Final RFP:</strong> Released July 2019</td>
<td></td>
</tr>
<tr>
<td><strong>Contract Award:</strong> Apr 2020</td>
<td></td>
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**SMB Impact:** 15% Mandatory SMB Content

Minimum $90M investment in SMBs

**Opportunity Highlights**

**Customer:** Royal Canadian Navy

**Contracting Agency:** Public Service and Procurement Canada (PSPC)

**Competition Type:** Competitive, Single Award

**Evaluation Method:** Best Value (Technical | Price | Value Prop/ITB)

**Contract Type:** FFP, T&M
Industrial Technological Benefits Program

What is it?
• Contract between a defence prime and Canada upon contract award, to invest dollars equal to the value of the contract.
• Ex $100M contract = $100M ITB obligation (Direct/Indirect)

Objectives
• Connect SMBs to global supply chains
• Diversify and grow SMB revenue streams
• Generate new job opportunities
• Attract investment
• Stimulate research and development
• Advance consortiums
BETWEEN 2013 – 2017, THE ITB POLICY:

**GDP & JOBS**
Contributed to an economic impact of close to 46,000 jobs and more than $4.7B to GDP annually

**SMALL AND MEDIUM BUSINESSES**
Supported the scaling up of close to 450 SMBs across Canada

**INNOVATION & SKILLS**
Motivated close to $250M in collaborative R&D and skills development, with close to 50 academic and research organizations benefiting from these investments

**EXPORTS**
Resulted in over $2B of export opportunities
ITB Portfolio to date

THE ITB PORTFOLIO 1986-2018

161
Contracts

$46.8 B
in
Obligations

$36.1 B
Completed

$7.1 B
Activities in
Progress

$3,700,000,000+
In work opportunities to be identified

* With more projects to come including:
  • Canadian Surface Combatant (est. $50 billion)
  • Future Fighter Capability Project (est. $15 billion)
  • Future Aircrew Training (est. $10 billion)
Project SkySensus – ITB Project

A 5 year R&D and commercialization project in the Aerospace & Defence Sector made possible through direct investment ($12.5M) by Peraton with the goal of advancing BVLOS (Beyond Visual Line-of-Sight) UAS (drone) operations in Canada and abroad.

Purpose and Scope

To develop the technology, processes, people, organizations, standards and techniques to enable the routine operation of unmanned aircraft beyond visual line of sight (BVLOS).

- Establish regulator approved standards for unmanned aviation
- Establish standard operating procedures for BVLOS
- Build small businesses in Alberta/ Western Canada
- Develop technology for commercial sale (multiple sectors)

“Project SkySensus helps Peraton satisfy our ITB obligation but more importantly, develops new capabilities and grows small businesses in Western Canada and creates an opportunity for large, long-term returns on the investment”
Project SkySensus – Building the project (behind the scenes)

- 2018 companies assembled into a team - 4 companies, diverse ideas, one industry focus
- Team prepares VP/ITB presentation in January 2019
- February 2019 – first presentation with Peraton Management
- Based on Peraton request - merged to one common focus
- 7 Months of reworking project plans, budgets and deliverables
- 3 contracts in place - Fall 2019 and Jan 2020 ($2M)
- Project launch - Unmanned Canada National Conference in Ottawa, 2019
- 5 year commitment under the ITB IF Framework (over $100M reduction)
• 60 defence related companies
• 4 Bases: Cold Lake, Edmonton, Suffield and Wainwright (employ 9,000)
• Procure $10B/annually
• Largest air weapons range/world
• Largest live fire land ranges/world
• ATCO, Bell Helicopter, Cubic, General Dynamics, Lockheed Martin, Novatel, Peraton, QinetiQ, Raytheon
• Foremost Test Range: TC BVLOS (18,000ft)
• Leading-edge UAS companies
• 500 companies using UAVs
• Engineering strength driving diversification and new applications of O/G technology
• More patents being filed from Calgary than any other urban center in Canada

Strong need to diversify the economy/strong industrial base in Western Canada to leverage opportunities:
Getting in the Game....

My advice to you....

Learn more about the ITB policy, defence procurement and programs
• Largest procurements in Canada in our lifetime

Be patient – Defence programs are measured with a calendar, not a stopwatch
• “We move at the speed of government”

Find ways to showcase your assets and capabilities to defence contractors
• We are actively seeking investment and business opportunities with SMB’s

Get in the Game
dtomlin@peraton.com

Thank You