



The State of Defense Acquisition, 2015

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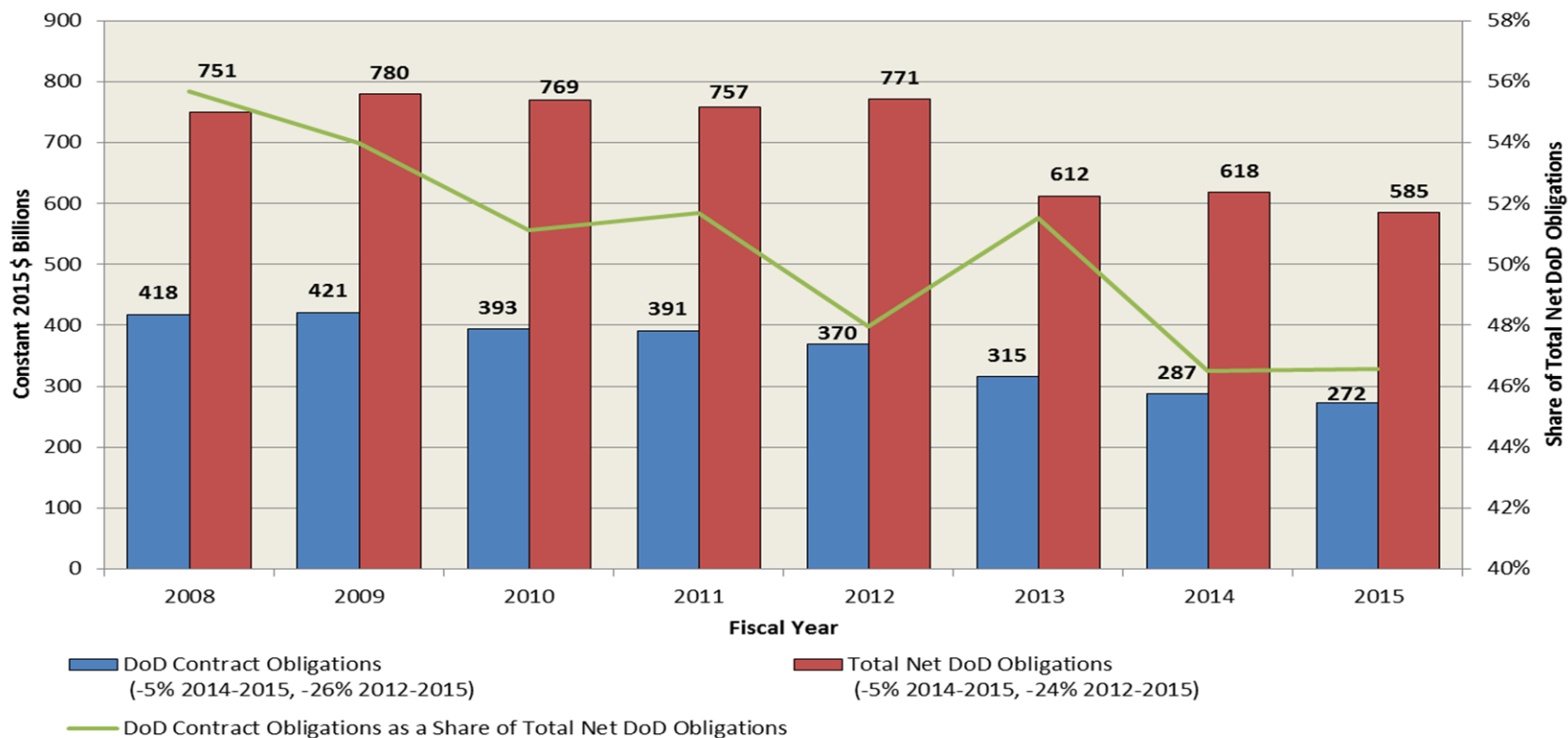
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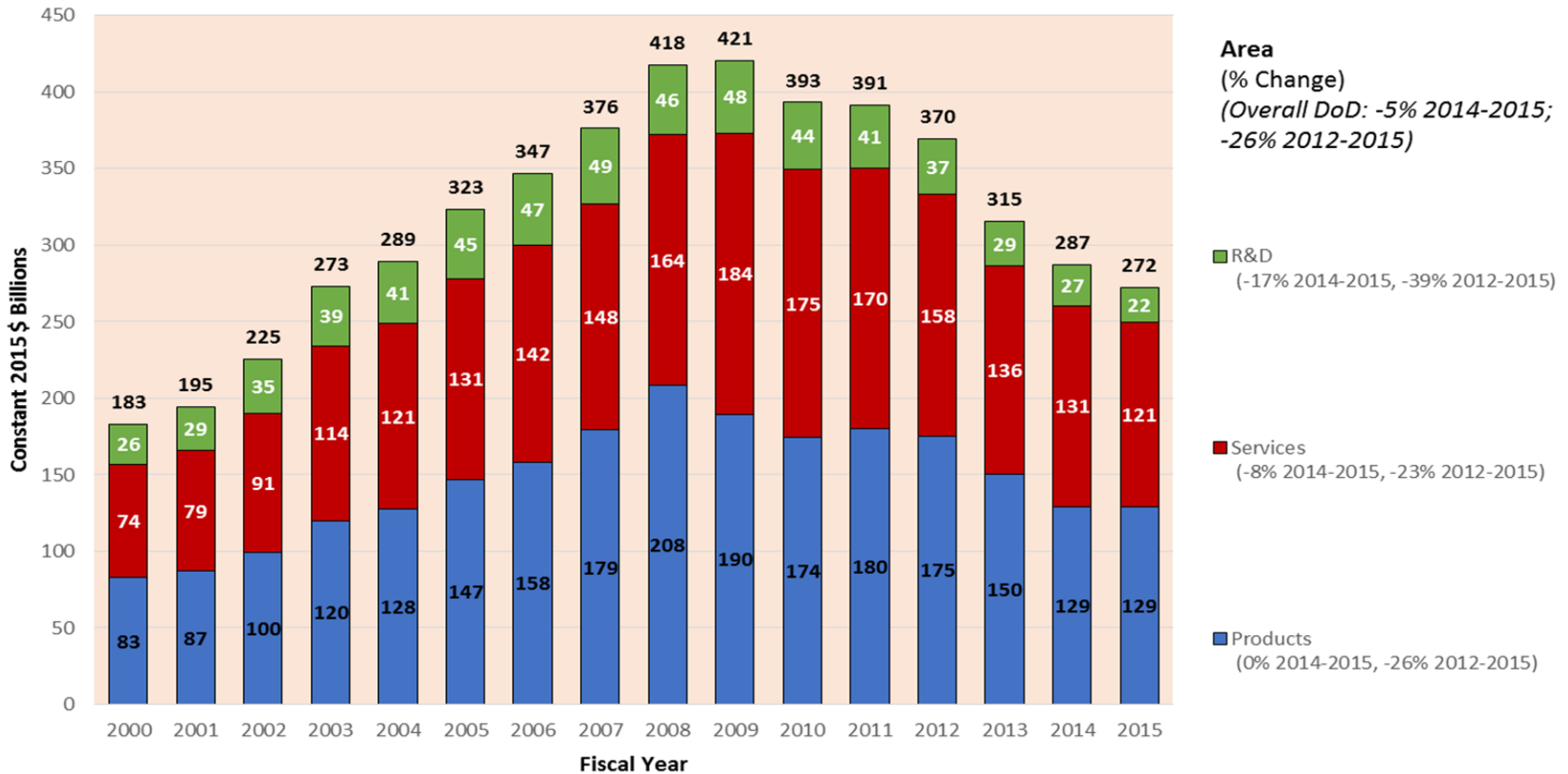
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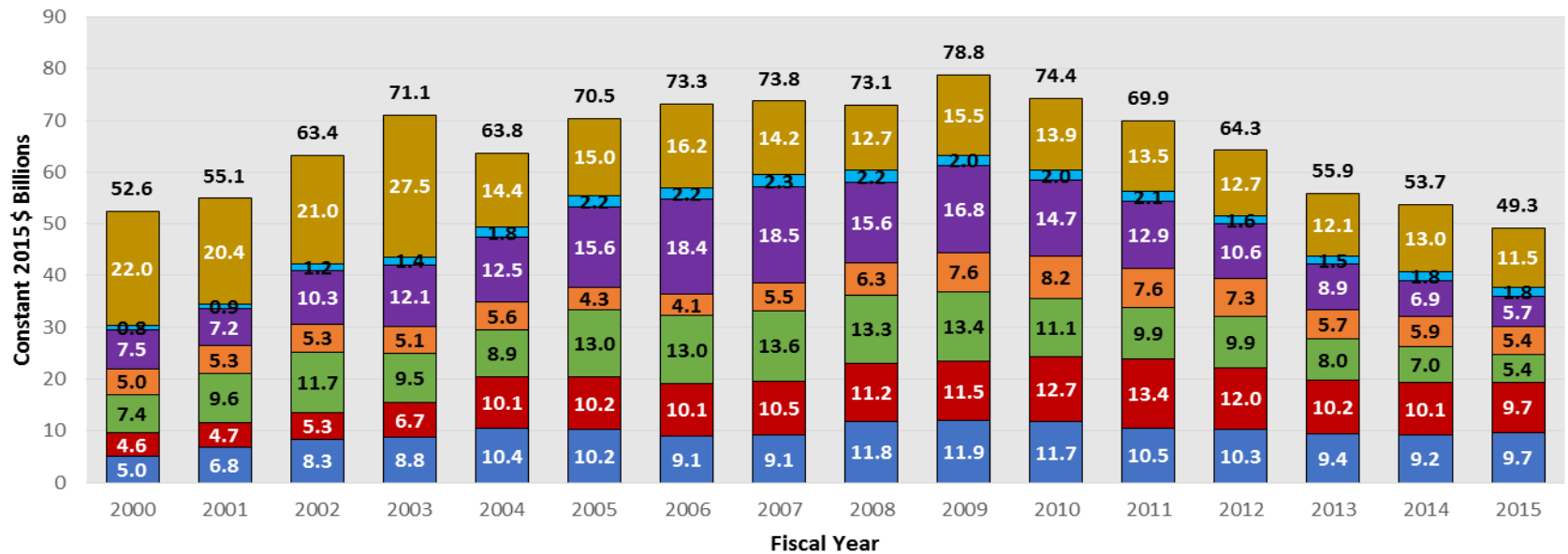
Contract Obligations Reach Floor in 2015



R&D Declines Dramatically Since 2012; Services Begin to Show Long-Anticipated Decline in 2015



“Seed Corn” R&D Preserved During Downturn; Six-Year Trough in MDAP Development Pipeline



Stage of R&D

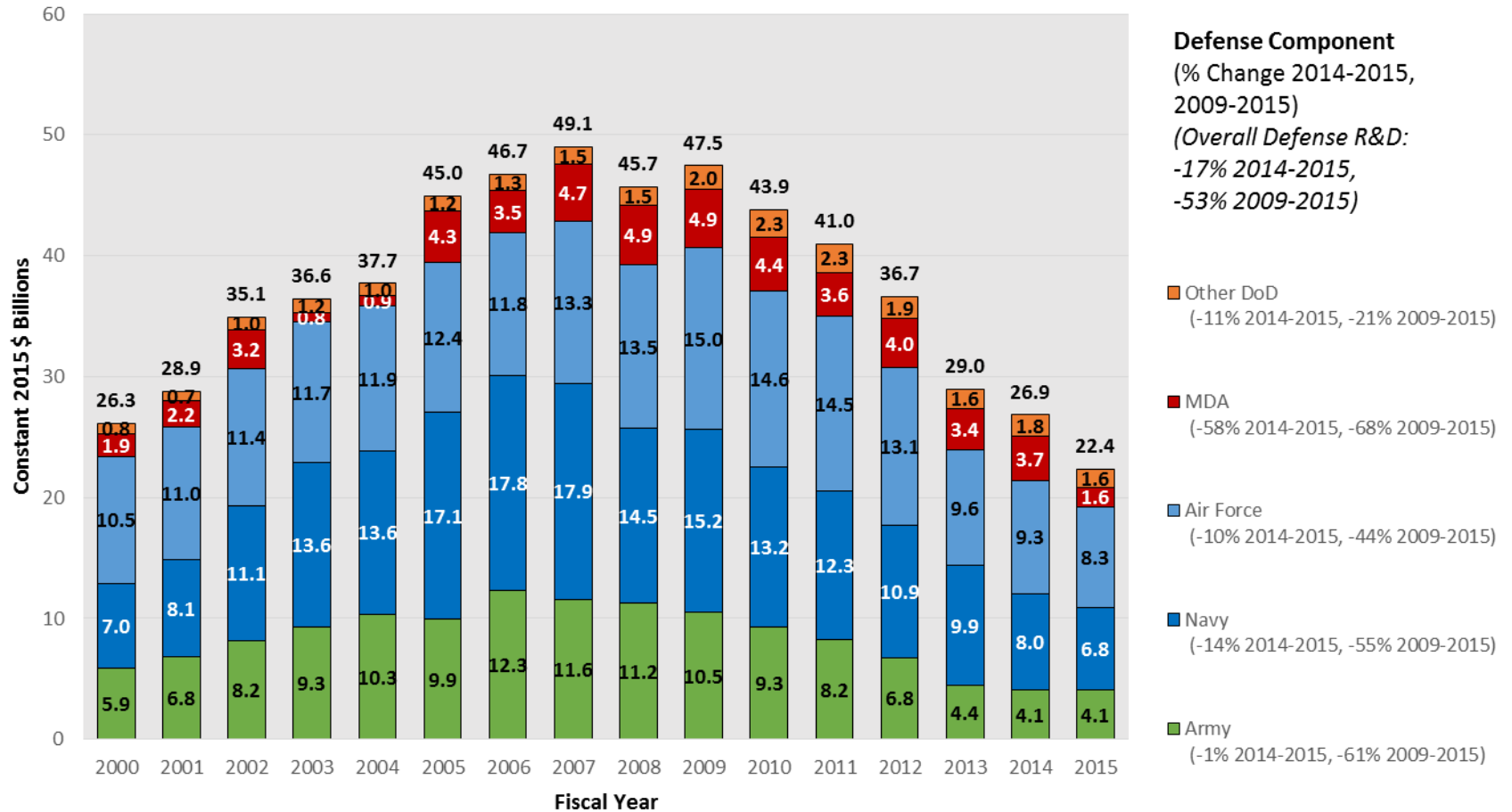
(% Change 2014-2015, 2009-2015)

(Overall Federal R&D:

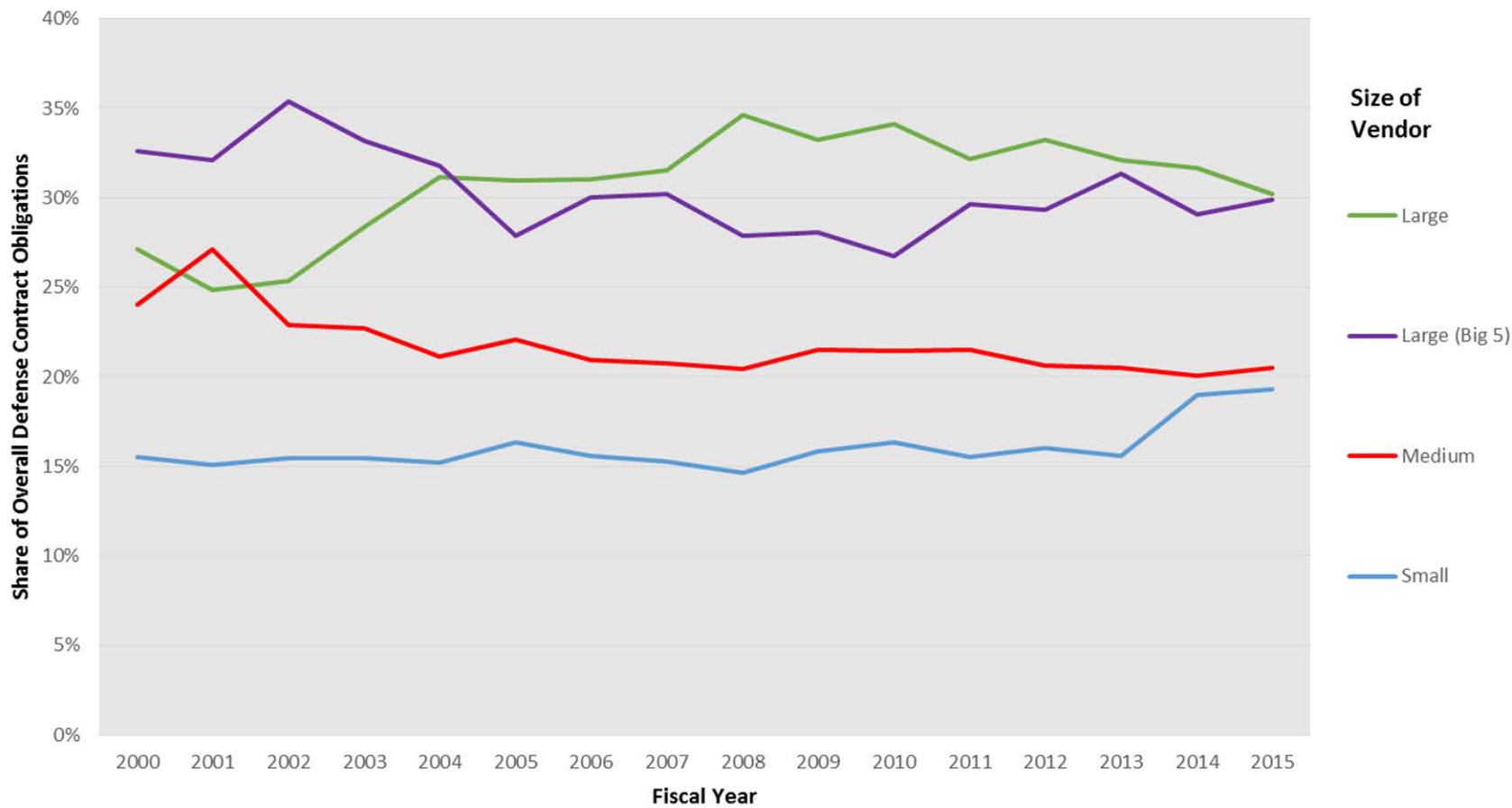
-8% 2014-2015, -38% 2009-2015)

- Basic Research (6.1)
(5% 2014-2015, -19% 2009-2015)
- Applied Research (6.2)
(-4% 2014-2015, -16% 2009-2015)
- Advanced Technology Development (6.3)
(-23% 2014-2015, -59% 2009-2015)
- Advanced Component Development & Prototypes (6.4)
(-7% 2014-2015, -29% 2009-2015)
- System Development & Demonstration (6.5)
(-16% 2014-2015, -66% 2009-2015)
- Operational Systems Development (6.7)
(5% 2014-2015, -9% 2009-2015)
- Operation of Government R&D Facilities
(-12% 2014-2015, -26% 2009-2015)

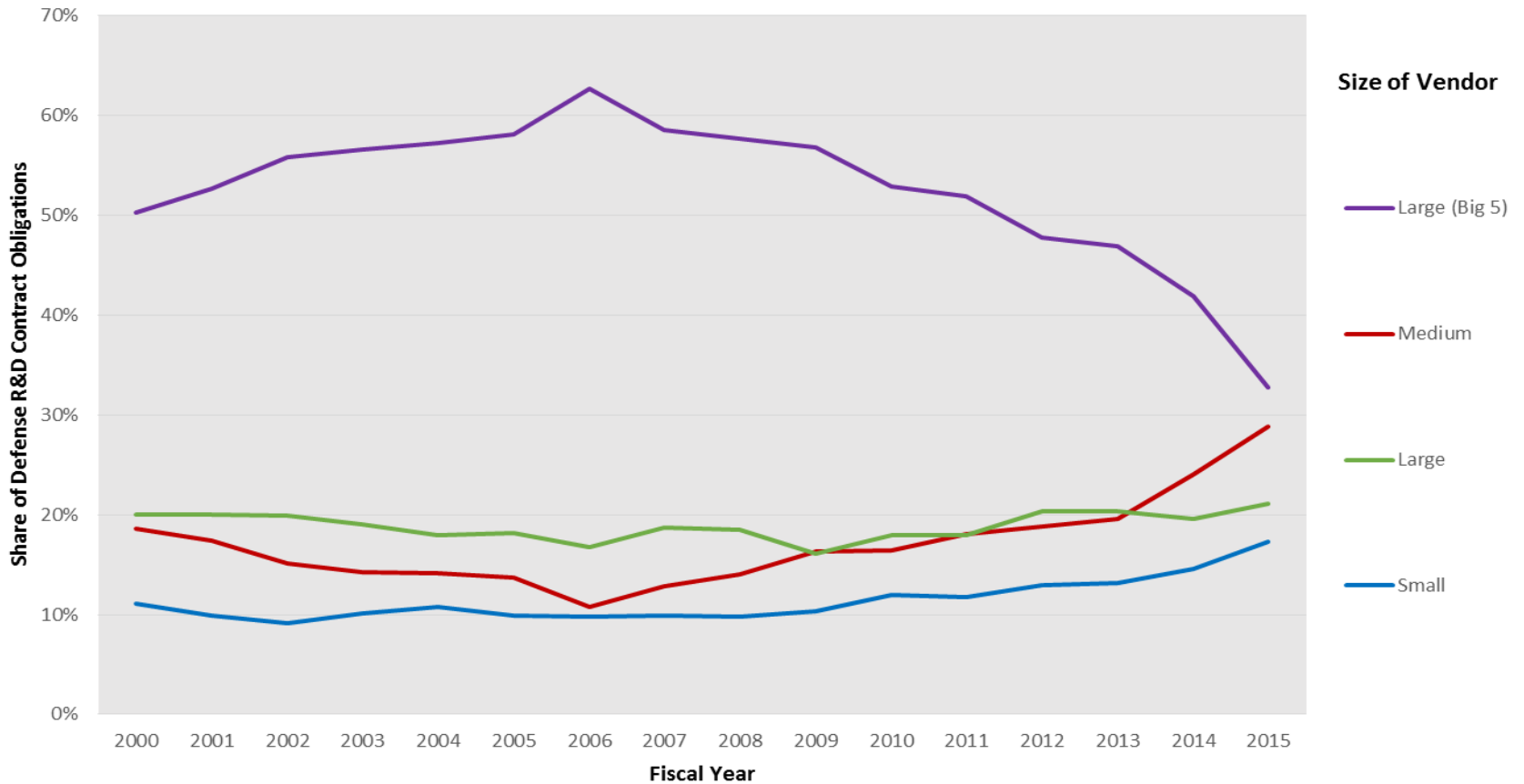
Component R&D Approaches Vary



Industry Stasis Breaks in 2014



“Big 5” Steep Drop in R&D Contracts Share Likely to Turn Soon



Decline in Army Contract Obligations Begins to Slow; Navy Continues to Weather Drawdown Well

