

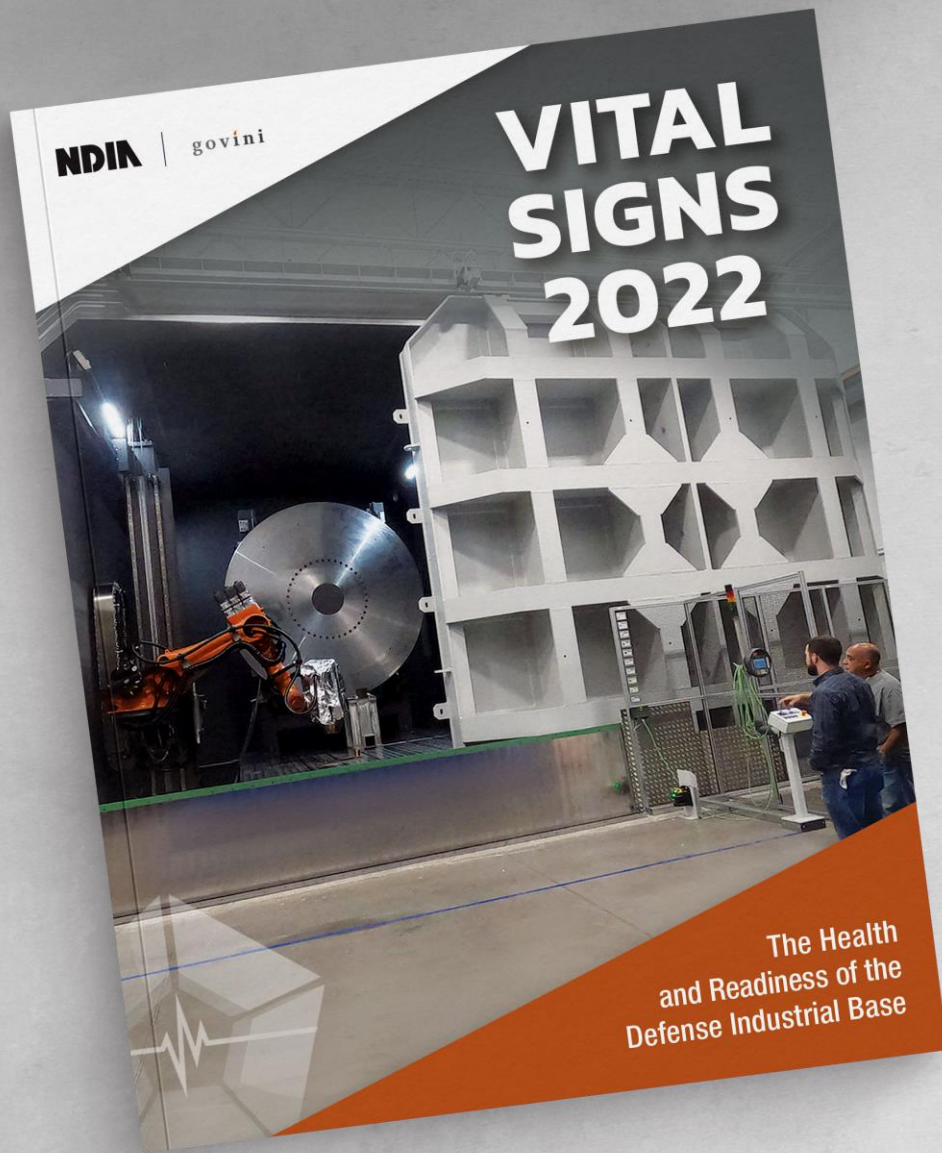


Vital Signs Overview



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VITAL SIGNS 2022

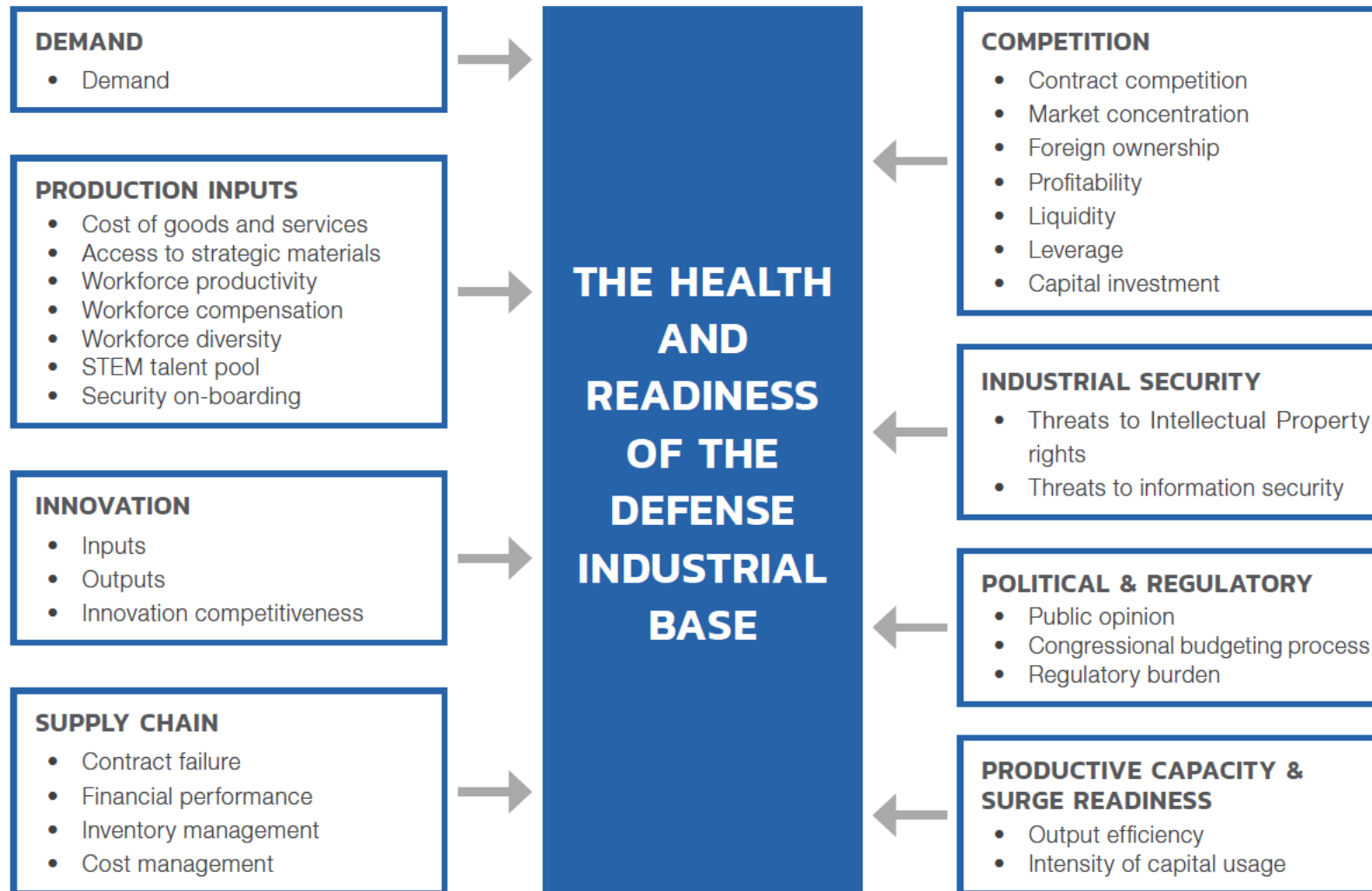
Briefing to Manufacturing Division Meeting
16 February 2022



- Defense community had no annual, unclassified, data-driven assessment of the health and readiness of the Defense Industrial Base (DIB)
- We study eight business environment and performance conditions to assess the health of the defense industrial base
- We scored more than 50 longitudinal statistical indicators on a scale of 0-to-100
 - Where possible 100 baselined to the Carter-Reagan build-up of 1979-1986
 - If no data going back, chose historical peak in the publicly available data
- Scores are determined through 3-year averaging to control for anomalous data
- We average indicator scores together, much like academic grades
- We leverage our partner, Govini's, propriety data base and data science capabilities
- Vital Signs is a reference document and thus makes no specific recommendations

Vital Signs looks broadly at the business environment in which the DIB operates and is not a grade of or reflection of any one DIB contractor or DIB sector

Business Environment & Performance Indicators





VS22: An Overall “Unsatisfactory, Failing” Grade

Political & Regulatory



Demand



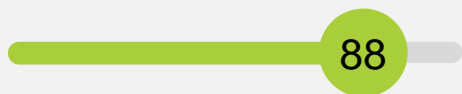
Supply Chain



Production Inputs



Competition



Innovation



Industrial Security



Production Cap & Surge



An Overall Score of 69 ●

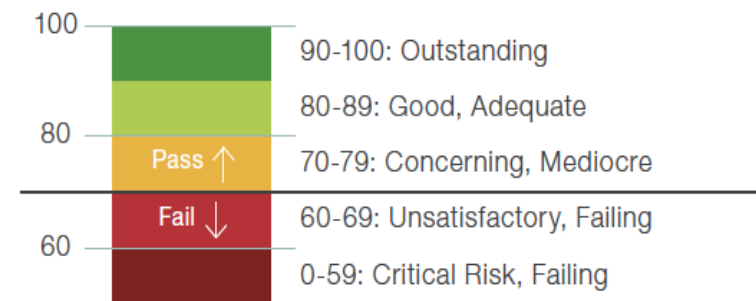


Figure 0.3, Source: NDIA



VS22: An Overall “Unsatisfactory, Failing” Grade

OVERALL SCORES				
Condition	2019	2020	2021	Change, 2020 – 2021
Demand	82	88	94	● +6
Production inputs	66	66	67	● +1
Innovation	69	69	69	● 0
Supply chain	60	71	63	● -8
Competition	92	88	88	● 0
Industrial security	49	49	50	● +1
Political & regulatory	78	76	72	● -4
Productive capacity & surge Readiness	80	67	52	● -15
<i>Overall health and readiness</i>	<i>72</i>	<i>72</i>	<i>69</i>	● -3

Score Index

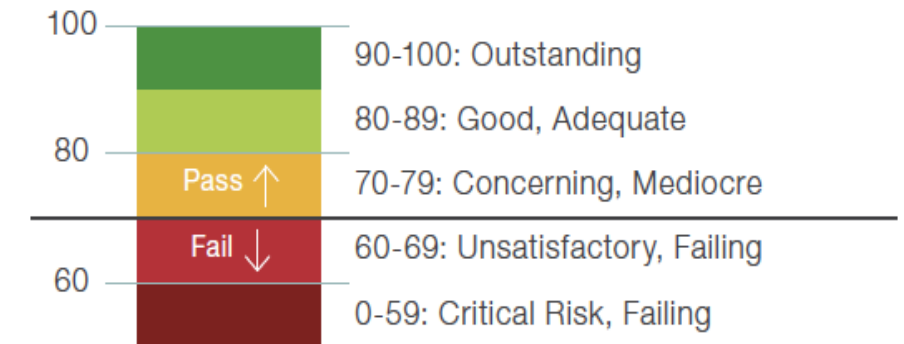


Figure 0.3, Source: NDIA

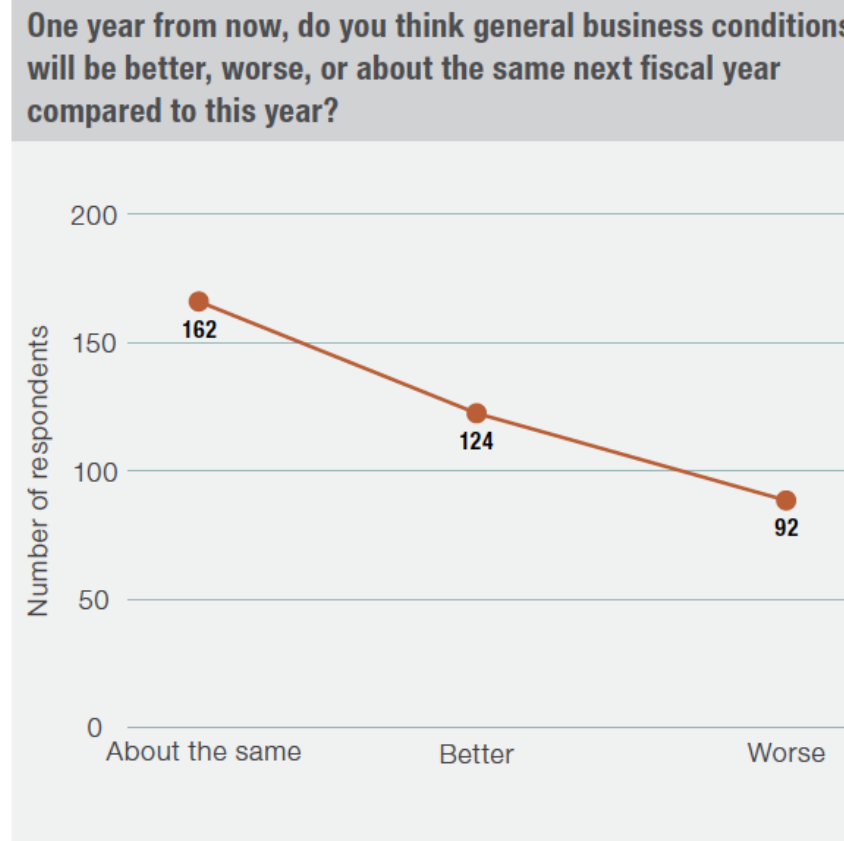
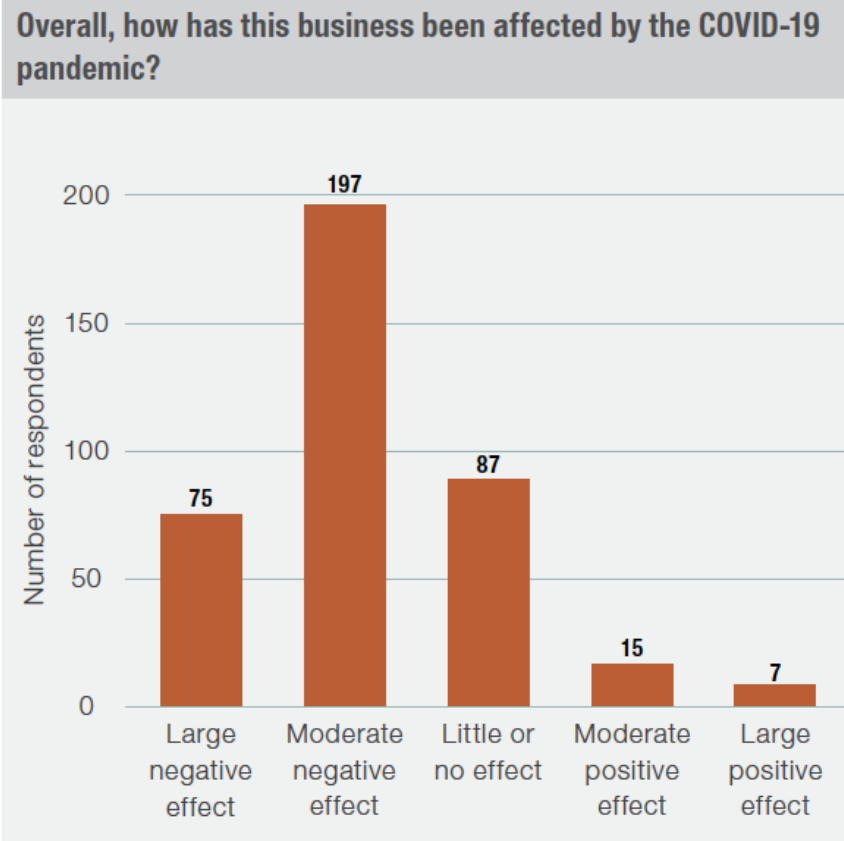


Critical Concern Areas

Risk Area	Description
COVID-19	COVID-19 impacted both Supply Chain and Surge Readiness within the DIB. These Vital Signs experienced the most significant declines from last year, which is indicative of COVID-19's continued disruption within the U.S. economy.
Competition	<u>New entrants</u> : This year saw another decrease in new entrants, <i>an all time low in our dataset</i> . This is a risk to innovation, as new entrants represent the infusion of new talent and capabilities. This significant decline marks a drop of over 28% from two years ago.
Emerging Technologies	For FY20, Congressional focus in key technologies such as microelectronics and biotechnology increased from the previous year, while hearings that mentioned hypersonics and space — among others — dropped from FY19.
Industrial Security	Industrial security continued to be the worst performing Vital Sign, driven primarily by cybersecurity vulnerabilities. Known vulnerabilities continue to rise at a very high rate, while the severity of each known vulnerability has slightly decreased on average since 2016.
Workforce	Members reported difficulties finding skilled and cleared labor. Without access to a diverse talent pool, DIB companies will struggle to produce the necessary goods and services that maintain our dominance in all domains of warfare. Our study reflects the state of the DIB before the high U.S. quit rates observed in 2022
Survey Results	Survey Results revealed businesses struggling with the ramifications COVID-19, including protracted labor difficulties. The DIB continues to identify budget stability and acquisition streamlining as top areas the government can address.

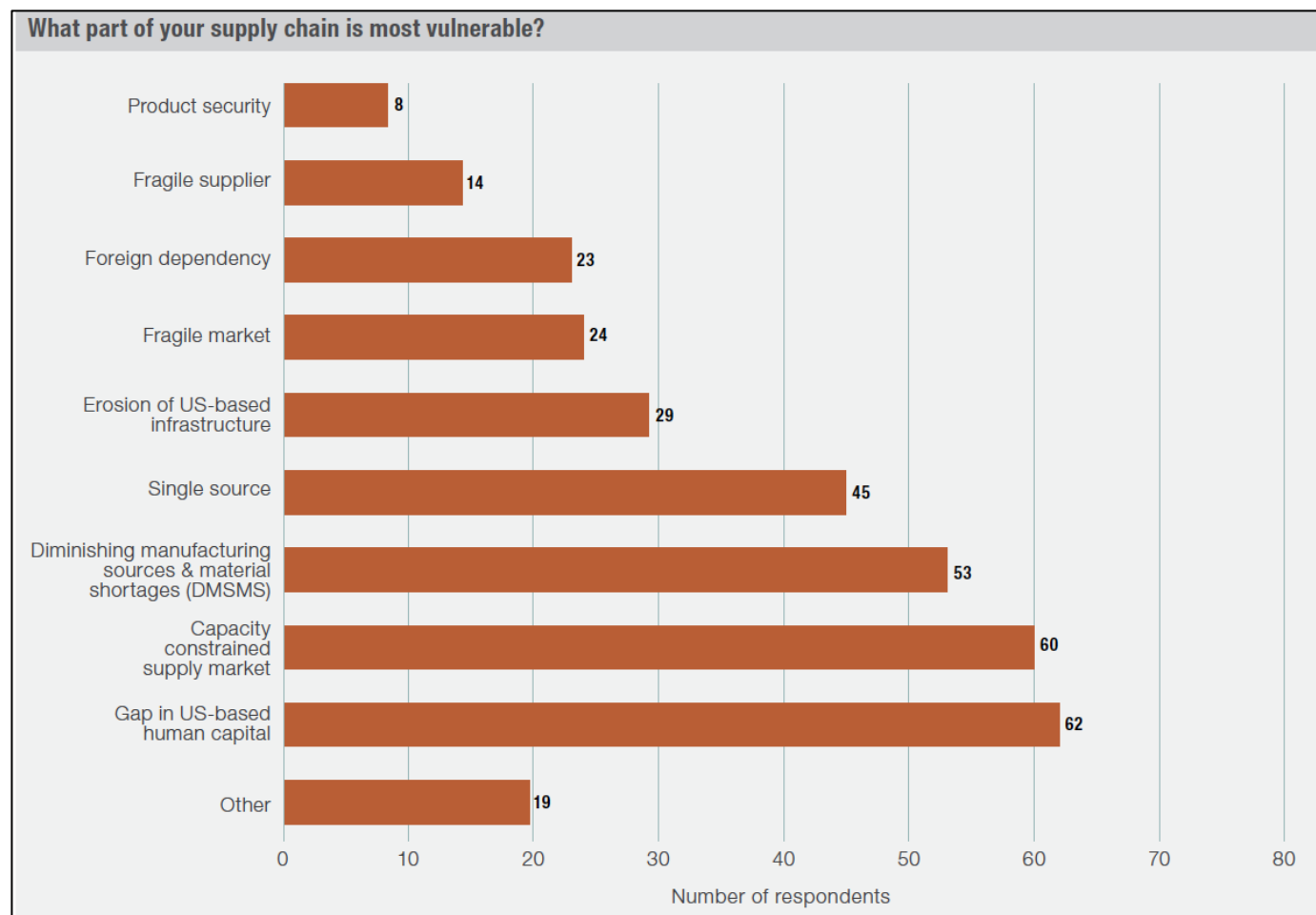


The COVID-19 Effect



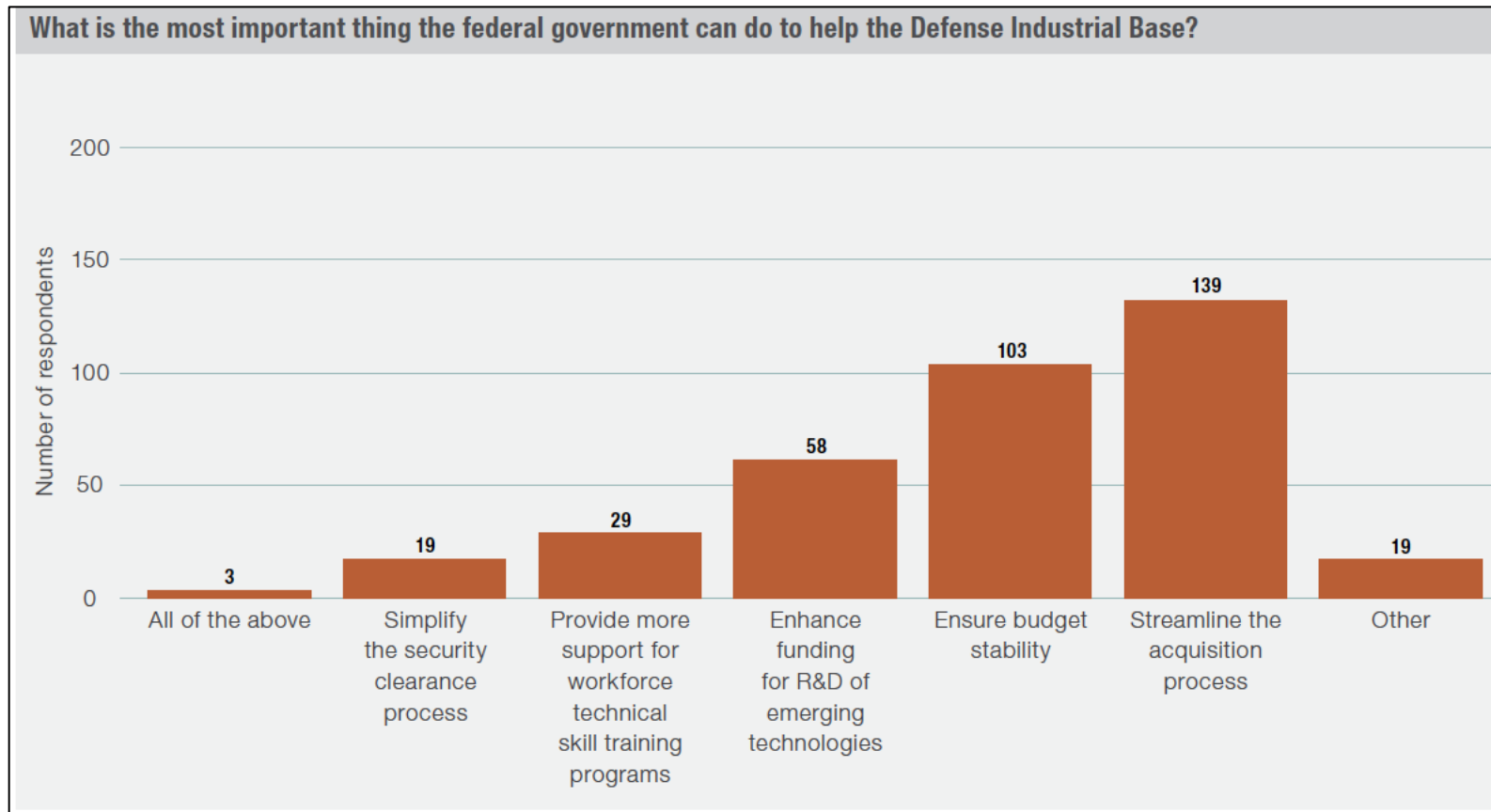


Supply Chains Concerns





Survey: What is the most important thing the government can do to help the defense industrial base?





Q&A

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We welcome your feedback.