



FOCUS Telecom
Technology and Services Group
Telecom Business
Services Quarterly

Fall 2014 Report

Vol. 4, No. 4

FOCUS

Investment Banking

Seasoned, Systematic, SuccessfulSM

Investment Banking and Advisory Services

FOCUS Investment Banking LLC is a leading investment bank with specialized telecom technology and services expertise, concentrating on providing four highly-tailored services to emerging middle market and larger organizations in this sector:

Sellside Assignments
Buyside Engagements
Capital Formation
Valuation and Fairness Options

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Telecom Business Services Quarterly

By Richard Pierce, FOCUS Managing Director and Telecom Technology and Services Team Leader

FOCUS believes that the Telecom Business Services sector is an attractive (and often overlooked) segment of the telecom market. The companies in this sector perform services such as distributing communications-related products, designing and installing communications infrastructure and providing repair and other logistics services for both communications service providers and businesses. These companies often benefit from the same exciting trends that drive growth in the larger telecommunications industry.

However, as professional services businesses they tend to be much less capital-intensive than network-based telecommunications service providers. Furthermore, they typically face little threat from shifts in technology. In fact, more often than not they benefit from technology shifts as upgrade cycles drive client demand for their services and expertise. FOCUS is proud of its commitment to the Telecom Business Services sector and we are excited about the prospects for companies in this space.

The FOCUS Telecom Technology and Services group consists of four professionals with a mix of backgrounds that include both C-level operating expertise and experience at leading middle market investment banks. The FOCUS Telecom team is uniquely qualified to help middle market clients reach their strategic objectives because the group:

- Devotes significant senior level resources to executing transactions for lower middle market clients,

- Has a breadth of knowledge that covers most segments of the telecom industry,
- Has bankers with C-level operating experience in the telecom industry,
- Has a proven transaction methodology for delivering results,
- Is equally comfortable with buy side and sell side M&A,
- Leverages an experienced team of research professionals,
- Has a national presence with coverage of both east and west coasts.

Sub Sector Definitions

Distributors and Logistics Services: This sector includes companies that distribute communications-related products or that provide repair, refurbish and other supply chain management solutions. Companies in this segment may serve either telecom service providers, businesses or both.

Engineering and Construction: Engineering and Construction companies provide a variety of services including network planning and design, systems integration, installation and construction. Customers are primarily service providers but may also include large enterprises and governments.

Summary Comments

Public Markets

The broader market slowed significantly during the course of our Fall reporting period, and these market headwinds undoubtedly helped the FOCUS Telecom Business Services Index (TBSI) dip into the red for this reporting period. The TBSI fell 4.1%, marking the first three month period since our Summer 2013 report that it did not deliver a positive return. This compares to a three month increase in the S&P 500 Index of 0.6% and a three month increase in the NASDAQ of 1.9%. The TBSI's year-over-year returns have fallen into single digit territory and now stand at 8.1%. This lags the 12 month returns on the S&P 500 and NASDAQ by a wide margin. On the positive side, multiples improved from the year-ago period. The sector revenue multiple remained flat at 0.3x, but the EBITDA multiple expanded from 7.0x a year ago to 7.5x currently. However, this still represents a slight decline from the 7.7x sector EBITDA multiple in our Summer report.

Distributors and Logistics Services

The Distributors and Logistics Services sub sector broke its streak of four consecutive reporting periods with a gain and posted a decline of 5.6% for the three month period. ADDvantage Technologies, Insight, and TESSCO were the sub sector's biggest decliners. On the other hand, ConvergeNet had a strong quarter, more than doubling during the reporting period. Despite the softness in this most

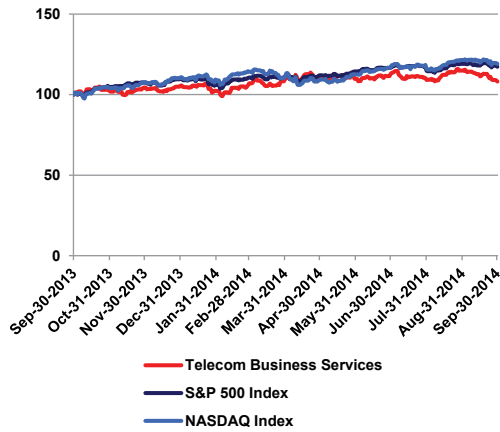
recent reporting period, the sub sector is still up more than 17% over the past 12 months. Multiples also increased over the past 12 months, and the sub sector EBITDA multiple now stands at 8.7x compared to only 7.8x in the year-ago period.

Engineering and Construction

The Engineering and Construction sub sector also was down for the three month period, although its loss of 2.2% was less than half of the loss of the Distributors and Logistics Services sub sector. Losses were broad-based with seven of the nine companies in the sub sector exhibiting declines during this past three months. Unitek and TSS both had particularly steep losses. Unitek lost more than 70% of its value as the heavily levered company entered a forbearance agreement with its creditors and Moody's downgraded its debt. Likewise, data center focused integrator TSS was down more than 30% after it posted a disappointing earnings release that showed declines in both revenue and profitability. Unfortunately the picture for the sub sector over the past 12 months also is challenging, with the sub sector falling 0.9% during this period despite robust gains in the broader market indices. Sub sector multiples remain relatively unchanged from the year-ago reporting period. The sub sector revenue multiple held constant at 0.4x, while the sub sector EBITDA multiple increased slightly from 6.1x to 6.3x.

Telecom Business Services: Public Market Summary

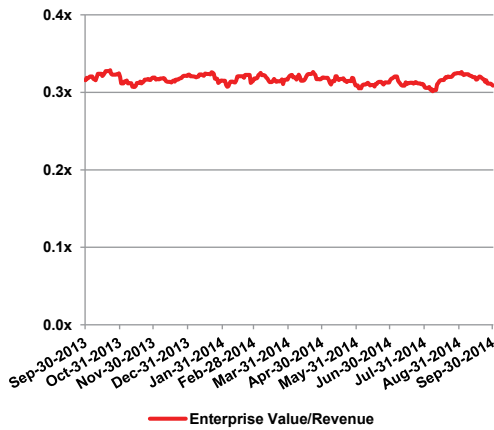
Twelve Month Index Returns



Sector and Sub Sector Returns

	12 Month	3 Month
Telecom Business Services	8.1%	-4.1%
Distributors and Logistics Services	17.2%	-5.6%
Engineering and Construction	-0.9%	-2.2%
S&P 500	17.3%	0.6%
NASDAQ	19.1%	1.9%

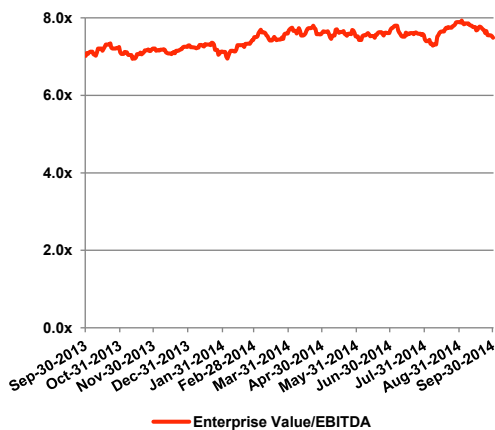
Revenue Multiple Trends



Sector and Sub Sector Revenue Multiples

	9/30/2014	9/30/2013
Telecom Business Services	0.3x	0.3x
Distributors and Logistics Services	0.3x	0.3x
Engineering and Construction	0.4x	0.4x

EBITDA Multiple Trends



Sector and Sub Sector EBITDA Multiples

	9/30/2014	9/30/2013
Telecom Business Services	7.5x	7.0x
Distributors and Logistics Services	8.7x	7.8x
Engineering and Construction	6.3x	6.1x

Source: Capital IQ

Summary Comments

M&A

M&A transaction volume continued at a robust pace with 35 transactions for this most recent three month period. This puts 2014 squarely on track to have the most announced transactions of any year of the last five. Encouragingly, announced transaction dollar volume also picked up and was slightly more than \$600 million for the three month period. This amount was greater than the announced dollar volume for the entire first six months of 2014, and brings us close to the billion dollar mark year-to-date. Even so, barring a large transaction in the last part of the year, 2014 is still on track to be relatively light in terms of announced transaction dollar volume.

Distributors and Logistics Services

The Fall reporting period saw 27 M&A transactions in the Distributors and Logistics Services sub sector. The largest of these was Vinci's acquisition of European telecom systems integration firm Imtech ICT for \$336 million. In addition, ScanSource expanded its presence in Central and Latin America with the purchases of Network1 for \$135 million and Imago for \$41 million. We also noted yet another telecom service provider made an acquisition in the space. In this case, it was Cable & Wireless acquiring Central America focused IT distributor Grupo Sonitel.

Engineering and Construction

The level of activity in the Engineering and Construction sub sector continued to pick up as we saw eight transactions during this three month period. Dycom had its second straight period with an M&A transaction, acquiring Hewitt Power and Communications. Not to be outdone, Aero Communications actually announced two acquisitions this reporting period, both of whom had a strong presence in wireless.

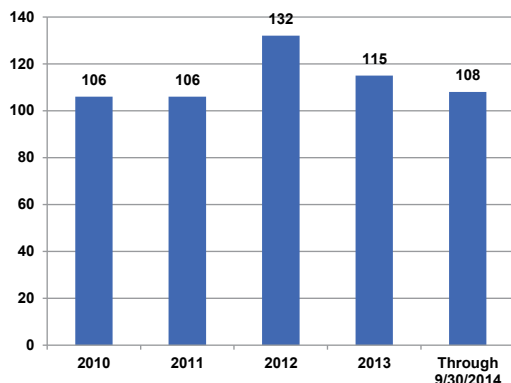
The period also saw two transactions in the "hot" area of DAS and small cells. KGP Telecommunications expanded its Bluestream services division with the acquisition of Tempest Telecom's DAS and small cell business, while Nokia Siemens networks acquired SAC Wireless. In the final transaction we highlight for the period, LCC reemerged on the acquisition stage to acquire Israeli-based Leadcom Integrated Solutions for slightly more than \$30 million.

Transactions with Multiples

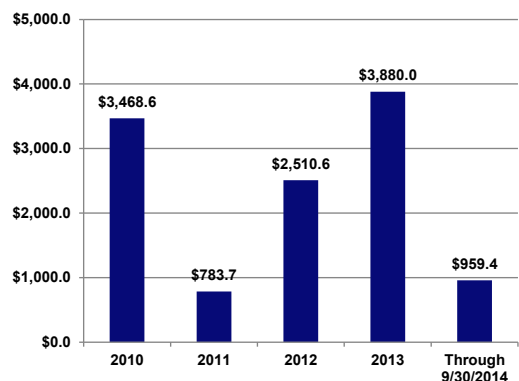
We had four transactions with multiples this reporting period, all in the Distributors and Logistics Services sub sector. The highest EBITDA multiple transaction was Vinci's acquisition of Imtech ICT for 7.5x EBITDA. However, this transaction also had the period's lowest revenue multiple at 0.3x. Conversely, Atea's acquisition of Datatech had the period's highest revenue multiple at 0.8x, but the EBITDA multiple was only 4.1x. In our opinion, Imtech ICT's higher multiple likely was due to a combination of scale (a premium for a larger business) as well as the fact that it's relatively low EBITDA margins offered the acquirer an opportunity for more meaningful margin improvements. The final two transactions for the period only had publicly available revenue multiples, and both traded within the valuation range of the Imtech ICT and Datatech transactions. Cable & Wireless acquired Grupo Sonitel for 0.5x revenue, while ScanSource's acquisition of Network1 was done at a slightly lower 0.4x revenue.

Telecom Business Services: M&A Summary

M&A Activity: Number of Transactions



M&A Activity (\$ Value of Transactions in Millions)



Announced Transactions (7/1/14 – 9/30/14)

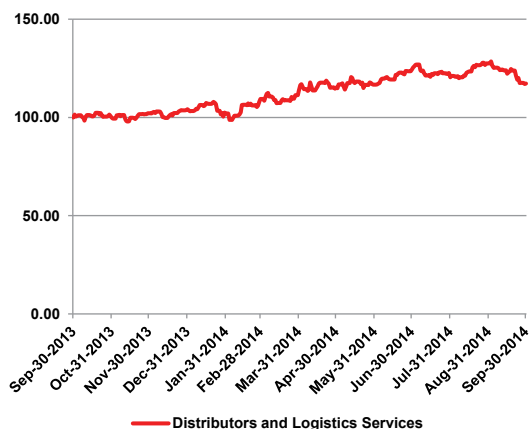
Acquiror	Target	Sector	Date Announced	Purchase Price	Description
M.Tech Holdings	Multi-Chem (M. Tech Products Division)	Distributors & Logistics Services	9/30/14	\$0.1	Distribution of hardware and software Internet and network products, and provision of maintenance services for such products.
Ericsson	GEOSS Consulting	Engineering & Construction	9/26/14	NA	Operations support systems consulting company that provides systems development, systems integration and operational support.
Evolution Capital Partners	ROI Networks	Distributors & Logistics Services	9/19/14	NA	Communications integrator specializing in delivering a unified communications as-a-service platform.
Data Strategy	Network Storage	Distributors & Logistics Services	9/18/14	NA	Data architecture and virtualization assessments and architecture design services.
Dycom	Hewitt Power and Communications	Engineering & Construction	9/17/14	NA	Installation of underground conduit and substructure, manholes, wire stringing, cable pulling, meter installation and pole installation.
Mobile Telesystems	Svyaznoi	Distributors & Logistics Services	9/16/14	NA	Operates a chain of retail stores that engage in the sale and distribution of mobile handsets and audio devices.
Atea	Datatech	Distributors & Logistics Services	9/12/14	\$4.7	Information technology infrastructure solutions for the maritime and offshore industries.
The Herjavec Group	Sentry Metrics	Distributors & Logistics Services	9/10/14	NA	IT consulting and services including information security, managed security services, data leakage protection and content protection.
Genesys	Canaplus Consulting	Distributors & Logistics Services	9/3/14	NA	Systems integrator that implements Genesys solutions in the APAC region for large organizations.
Cable & Wireless	Grupo Sonitel	Distributors & Logistics Services	8/26/14	\$41.0	Managed IT solutions and telecoms services to business and government customers in Central America.
Vinci	Imtech ICT	Distributors & Logistics Services	8/26/14	\$336.0	Systems integration, telecommunications integration and related tech support services for businesses and telecoms in Europe.
ScanSource	Imago	Distributors & Logistics Services	8/21/14	\$40.6	Value added distributor of video and voice communications equipment and services.
E-Secure	E Fortify Asia	Distributors & Logistics Services	8/19/14	NA	Distributes hardware and software products relating to the Internet as well as provides maintenance services for such products.
Aero Communications	Fulton Technologies	Engineering & Construction	8/18/14	NA	Constructs mobile base station infrastructure and provides site studies, interference testing and other support services.
ePlus	Evolve Technologies	Distributors & Logistics Services	8/18/14	NA	Professional consulting services to help customers build networks to support data, voice and video.
ScanSource	Network1	Distributors & Logistics Services	8/15/14	\$135.3	Value added distributor of communications equipment and services in Brazil and throughout Latin America.
KGP Telecommunications	Tempest Telecom (DAS and Small Cell Business)	Engineering & Construction	8/4/14	NA	Full suite of turnkey in-building wireless and outdoor DAS equipment and services to both service providers and enterprises.
BalanceLogic	LANstar Technologies	Distributors & Logistics Services	8/1/14	NA	Phone systems, IP office/voice over IP, voice mail systems, peripheral software products and CTI solutions.
Datashare Solutions	NJL Communications	Distributors & Logistics Services	8/1/14	NA	Offers business telephone solutions, video conferencing equipment and network installation services.
Provision Networks	360 Networx	Distributors & Logistics Services	8/1/14	NA	Mobility solutions and voice and data communications system integration services for healthcare, mining and oil and gas industries.
Exclusive Networks	WhiteGold Solutions	Distributors & Logistics Services	7/31/14	NA	Distributor of IT security, networking, converged infrastructure and data center solutions in Australia and New Zealand.
Rimhub	Systems Integration	Distributors & Logistics Services	7/28/14	NA	Contact center and IT help desk infrastructure solutions to United States Government agencies and commercial enterprises.
telent Technology Services	Convergent Network Solutions	Distributors & Logistics Services	7/24/14	NA	Design, implementation and consultancy solutions in the areas of LAN/WAN and security as well as managed security services.
Global Convergence	NextiraOne (NXO Americas Assets)	Distributors & Logistics Services	7/22/14	NA	Designs, installs, maintains and supports business and communications solutions for private and public sector customers.
ENABIL Solutions	Tarshan	Distributors & Logistics Services	7/18/14	NA	Software consulting services for the telecom BSS/OSS market related to the Oracle communications suite of products.
Network Data Systems	Network Custom Solutions & Support	Distributors & Logistics Services	7/16/14	NA	Designing, installing and supporting small, medium and large Cisco networks that comprise data, voice and wireless technologies.
Poynting Holdings	Radio Network Solutions	Engineering & Construction	7/16/14	\$10.1	Support services for wireless enterprise networks as well as in-building wireless solutions and turnkey site construction.
Brightstar	Beetel Teletech	Distributors & Logistics Services	7/15/14	NA	Supplies fixed line phones, modems, memory devices and IT peripheral products in India.
Vodafone Group	Nexct Group	Distributors & Logistics Services	7/11/14	NA	Unified communications distributor and integrator in the Netherlands.
Aero Communications	Phoenix Installation Services	Engineering & Construction	7/9/14	NA	Provides construction and maintenance services to the wireless industry in the Southwestern United States.
OpenGate Capital	Damovo Group (Mexico and Brazil Operations)	Distributors & Logistics Services	7/7/14	NA	Systems integration, unified communications, enterprise networking and contact center services for businesses globally.
LCC	Leadcom Integrated Solutions	Engineering & Construction	7/3/14	\$32.6	Provision, management and implementation of telecommunications network deployment services for pan-regional operators.
F. van Lanschot Participaties	TechXS Value Added IT Distribution	Distributors & Logistics Services	7/2/14	NA	Distributes technology hardware and software including networking, wireless, security, storage and servers.
Nokia	SAC Wireless	Engineering & Construction	7/2/14	NA	Portfolio of self-performing services to support major network builds, 4G LTE upgrades and indoor/outdoor DAS networks.
Peach Telecom	Nexus Business Group	Distributors & Logistics Services	7/2/14	NA	IT hardware, services, system and support for small and medium-sized businesses.

Announced Transactions with Revenue Multiples (9/30/13 – 9/30/14)

Acquiror	Target	Sector	Date Announced	Purchase Price	Revenue Multiple	EBITDA Multiple	Description
Atea	Datatech	Distributors & Logistics Services	9/12/14	\$4.7	0.8 x	4.1 x	Information technology infrastructure solutions for the maritime and offshore industries.
Cable & Wireless	Grupo Sonitel	Distributors & Logistics Services	8/26/14	\$41.0	0.5 x	NA	Managed IT solutions and telecoms services to business and government customers in Central America.
Vinci	Imtech ICT	Distributors & Logistics Services	8/26/14	\$336.0	0.3 x	7.5 x	Systems integration, telecommunications integration and related tech support services for businesses and telecoms in Europe.
ScanSource	Network1	Distributors & Logistics Services	8/15/14	\$135.3	0.4 x	NA	Value added distributor of communications equipment and services in Brazil and throughout Latin America.
OCK International	PT Putra Mulia Telecommunication	Engineering & Construction	4/29/14	\$8.2	2.4 x	NA	Provides telecommunications network services to telecom operators and solution vendors in Indonesia.
Renew Holdings	Clarke Telecom	Engineering & Construction	4/29/14	\$28.6	0.5 x	NA	Wireless telecommunication network infrastructure services to mobile phone operators and third-party network operators.
The Blackstone Group and Sverica International	Accuvant	Distributors & Logistics Services	3/11/14	\$225.0	0.4 x	NA	Strategic consulting services for information security including malware, software security and vulnerability assessment.
ADDvantage Technologies	Nave Communications Company	Distributors & Logistics Services	3/3/14	\$13.1	0.9 x	NA	Offers refurbished telecommunications and networking equipment and consignment and equipment decommissioning services.
Bell-Park	OC Mobile	Distributors & Logistics Services	1/8/14	\$7.7	0.1 x	NA	Distributes mobile phones.
MB Technologies	SecureData Holdings	Distributors & Logistics Services	11/20/13	\$7.2	0.2 x	NA	Distributes network and information security solutions and provides information security services.
Softbank	Brightstar	Distributors & Logistics Services	10/18/13	\$2,810.5	0.4 x	10.8 x	Distribution, supply chain, handset protection and insurance, buy-back and trade-in solutions for mobile operators.
Telephone and Data Systems	MSN Communications	Distributors & Logistics Services	10/8/13	\$40.0	0.4 x	NA	Value added distributor of IT infrastructure hardware solutions from Cisco, EMC, VMware, VCE, Appspace, NetApp and F5.

Sub Sector Analysis: Distributors and Logistics Services

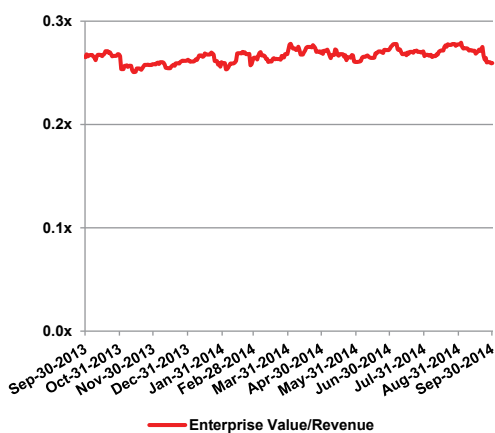
Twelve Month Index Returns



Company Returns

	12 Month	3 Month
Distributors & Logistics Index	17.2%	-5.6%
ADDvantage Technologies	-5.1%	-15.6%
Black Box	-23.9%	-0.5%
CDW	36.0%	-2.6%
ConvergeNet	62.0%	171.7%
DataLink	-21.4%	6.3%
Datatec	-19.8%	-6.2%
ePlus	8.5%	-3.7%
Insight	19.7%	-26.4%
PC Connection	42.3%	3.8%
Tech Data	17.9%	-5.9%
Tessco	-14.0%	-8.6%

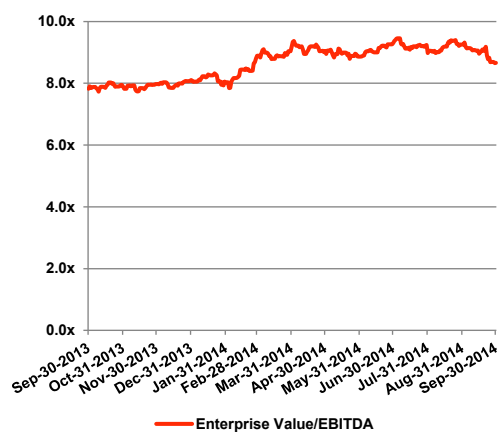
Revenue Multiple Trends



Company Revenue Multiples

	9/30/2014	9/30/2013
Distributors & Logistics Index	0.3x	0.3x
ADDvantage Technologies	0.7x	0.5x
Black Box	0.5x	0.7x
CDW	0.8x	0.7x
ConvergeNet	0.7x	0.6x
DataLink	0.3x	0.5x
Datatec	0.2x	0.2x
ePlus	0.5x	0.5x
Insight	0.2x	0.1x
PC Connection	0.2x	0.2x
Tech Data	0.1x	0.1x
Tessco	0.4x	0.4x

EBITDA Multiple Trends



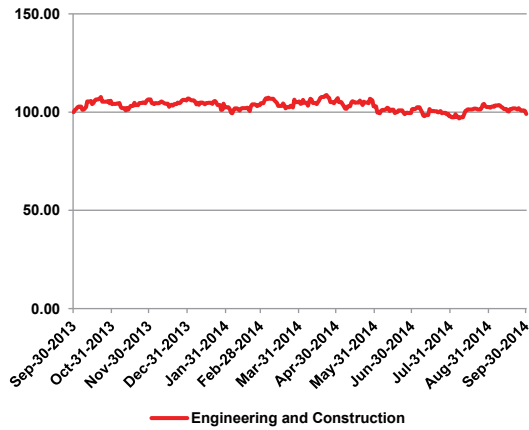
Company EBITDA Multiples

	9/30/2014	9/30/2013
Distributors & Logistics Index	8.7x	7.8x
ADDvantage Technologies	11.8x	5.8x
Black Box	8.0x	7.7x
CDW	11.3x	11.1x
ConvergeNet	NM	NM
DataLink	7.3x	11.7x
Datatec	6.5x	6.6x
ePlus	6.7x	6.6x
Insight	4.5x	4.1x
PC Connection	6.9x	5.1x
Tech Data	6.8x	7.9x
Tessco	8.1x	9.1x

Source: Capital IQ

Sub Sector Analysis: Engineering and Construction

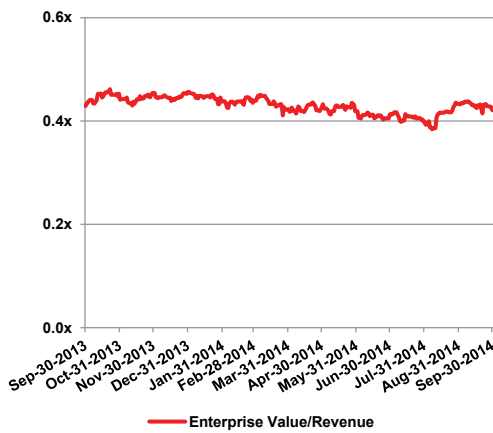
Twelve Month Index Returns



Company Returns

	12 Month	3 Month
Engineering & Construction Index	-0.9%	-2.2%
Baran Group	-11.7%	-4.0%
China Communications Services	-20.4%	-4.4%
COMSYS Holdings	23.7%	-7.3%
Dycom	9.7%	-1.9%
Mastec	1.1%	-0.6%
MIRAIT Holdings	35.8%	15.7%
TSS	-69.1%	-34.6%
Unitek	-89.7%	-70.7%
WPCS	-70.2%	63.7%

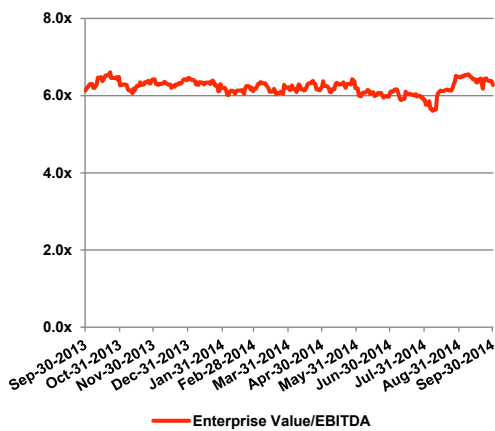
Revenue Multiple Trends



Company Revenue Multiples

	9/30/2014	9/30/2013
Engineering & Construction Index	0.4x	0.4x
Baran Group	0.3x	0.2x
China Communications Services	0.2x	0.3x
COMSYS Holdings	0.5x	0.4x
Dycom	0.8x	0.8x
Mastec	0.8x	0.8x
MIRAIT Holdings	0.3x	0.2x
TSS	0.2x	0.3x
Unitek	0.4x	0.4x
WPCS	0.9x	0.4x

EBITDA Multiple Trends



Company EBITDA Multiples

	9/30/2014	9/30/2013
Engineering & Construction Index	6.3x	6.1x
Baran Group	NM	4.0x
China Communications Services	4.5x	5.6x
COMSYS Holdings	5.1x	4.3x
Dycom	8.2x	7.8x
Mastec	8.8x	7.8x
MIRAIT Holdings	5.1x	4.3x
TSS	NM	NM
Unitek	6.1x	5.4x
WPCS	NM	192.2x

Source: Capital IQ

FOCUS Telecom Technology and Services Team



Richard H. Pierce

Managing Director and Telecom Technology and Services Team Leader, Washington, DC

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Rich Pierce has more than ten years of investment banking experience advising middle market clients on a variety of mergers and acquisitions and capital raising transactions. During that time, Mr. Pierce's primary emphasis has been on serving clients in the telecommunications industry including providers of network related hardware and software products, wireless, and wireline telecommunications service providers and network engineering and construction companies.



John T. Bradshaw

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John Bradshaw has over 30 years experience in sales, marketing, manufacturing, finance, and systems engineering with corporations specializing in technology-driven business products and services. Mr. Bradshaw has been a successful senior executive and manager in both large and small organizations, and has spent the last 15 years working with entrepreneurial companies. Mr. Bradshaw has particular expertise in enterprise communications and contact center related technology.



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David Freeland, a FOCUS Principal, has more than fifteen years of experience providing investment banking and management consulting services to a variety of corporate clients, ranging from the Fortune 500 to start-up businesses. He has been an investment banker since 2003, advising clients on mergers and acquisitions and capital raising transactions. Mr. Freeland has broad experience in the telecom and technology industry and has significant experience with data center companies.



Eric M. Oganessoff

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Eric Oganessoff has conducted over forty M&A, debt, and capital raise transactions with an aggregate value of over \$300 million and has served as the CEO or President of several companies. Mr. Oganessoff has over twenty years of senior executive level experience in leading businesses ranging from wireless solutions, software, and RFID services to manufacturing, industrial products, energy, and environmental products and government contracting.

About FOCUS Investment Banking LLC

FOCUS Investment Banking LLC provides a range of middle market investment banking services with an emphasis on mergers, acquisitions, divestitures and corporate finance. FOCUS is a national firm serving clients from offices in major cities across the United States. FOCUS specializes in business units with transactions or revenues in the \$5-300 million range, serving entrepreneurs, corporate owners and various types of investors across a broad range of industries, throughout the U.S. and worldwide. FOCUS bankers are seasoned operating and financial executives with extensive transaction experience. Securities transactions conducted by FOCUS Securities LLC, an affiliated company, registered Broker/Dealer and member FINRA/SIPC. For more information on FOCUS, visit www.focusbankers.com.

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