



FOCUS Telecom
Technology and Services Group
Telecom Business
Services Quarterly

Summer 2014 Report

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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 FOCUS Telecom Business Services Index (TBSI) continued its upward climb in this most recent three month period with a solid gain of 2.7%. This increase trailed both the S&P 500 (which gained 4.7% for the period) and the NASDAQ (which gained 5.0% for the period). The picture is similar for the twelve month period, with the TBSI not keeping up with the broader indices despite a strong gain of 17.7% over the last year. Multiples for the sector are flat to up compared to the year-ago period. The sector revenue multiple remained constant at 0.3x, while the sector EBITDA multiple expanded from 6.7x to 7.7x.

Distributors and Logistics Services

The Distributors and Logistics Services sub sector had another good three month period with a gain of 9.2%. This beat both of the broader indices and marks the fourth consecutive period where the sub sector was in the black. Given these consistent increases it is not surprising that the sub sector also had a very strong year-over-year gain of 40.0%. The two companies that powered much of these gains for both the twelve-month and three-month periods were CDW and Insight. Both companies are up more than 70% for the year and more than 15% in this most recent

three months. As we would expect, sub sector multiples are on the rise. The sub sector revenue multiple now stands at 0.3x (compared to 0.2x a year ago) and the sub sector EBITDA multiple is 9.3x (compared to 7.1x a year ago).

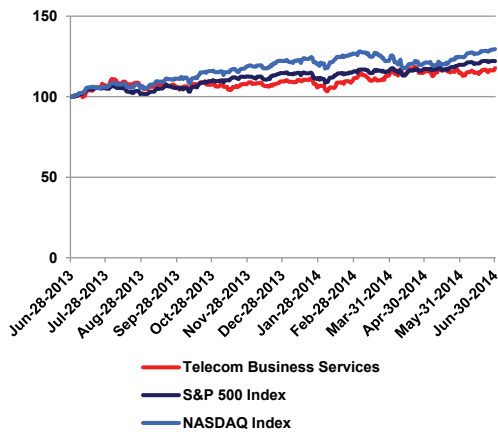
Engineering and Construction

In contrast to the Distributors and Logistics Services sub sector, the Engineering and Construction sub sector had another down period with a loss of 4.1% in the past three months. Whereas in our Spring 2014 report it was the international-focused companies that dragged down the index, this period it was the turn of the U.S. companies. Mastec, Unitek, and WPCS were all down from approximately 30% to 75%, making the slight loss of 0.9% at Dycom look good by comparison.

This period's declines also moved the sub sector to a loss for the twelve month period of 1.2%. The declines in the sub sector were related to financial performance as opposed to multiple contraction. The sub sector revenue multiple remained unchanged at 0.4x from both the year-ago period and our Spring report. Likewise, the sub sector EBITDA multiple declined only slightly. It stands at 6.1x currently compared to the 6.2x we reported both last year and in our Spring report.

Telecom Business Services: Public Market Summary

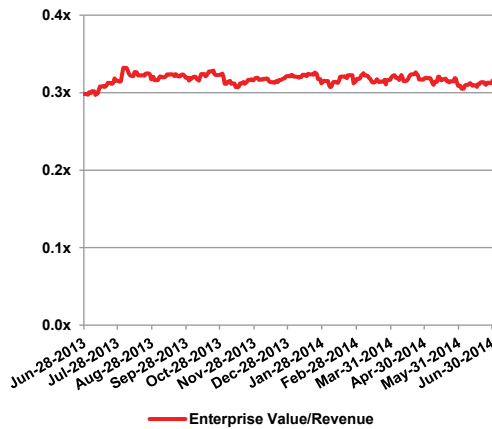
Twelve Month Index Returns



Sector and Sub Sector Returns

	12 Month	3 Month
Telecom Business Services	17.7%	2.7%
Distributors and Logistics Services	40.0%	9.2%
Engineering and Construction	-1.2%	-4.1%
S&P 500	22.0%	4.7%
NASDAQ	29.5%	5.0%

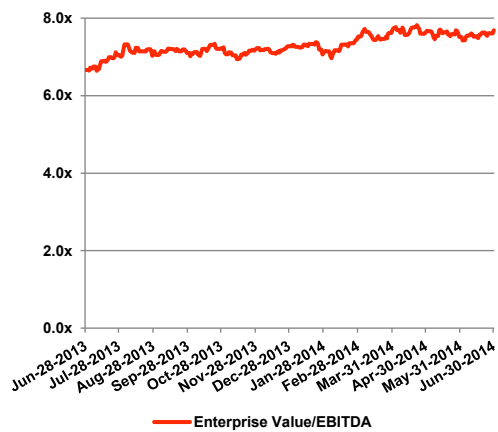
Revenue Multiple Trends



Sector and Sub Sector Revenue Multiples

	6/30/2014	6/30/2013
Telecom Business Services	0.3x	0.3x
Distributors and Logistics Services	0.3x	0.2x
Engineering and Construction	0.4x	0.4x

EBITDA Multiple Trends



Sector and Sub Sector EBITDA Multiples

	6/30/2014	6/30/2013
Telecom Business Services	7.7x	6.7x
Distributors and Logistics Services	9.3x	7.1x
Engineering and Construction	6.1x	6.2x

Source: Capital IQ

Summary Comments

M&A

M&A transaction volume was a respectable 31 transactions for the Summer reporting period. This is the second straight period with relatively high deal volume. However, at just slightly more than \$40 million, the total announced dollar value was even lower than what we saw in the Spring reporting period. With only a bit more than \$350 million in announced dollar volume through the first six months of the year, 2014 is on pace to be one of the slowest years in the last five as measured by this metric. However, this picture could still change dramatically with one or two large transactions in the back half of the year.

Distributors and Logistics Services

We tracked 25 transactions in The Distributors and Logistics Services sub sector for this most recent three-month period. Notable transactions included the acquisition of Avtex Solutions by LaSalle Capital, likely creating a new consolidator in the space. Avtex was not the only company in the sub sector to attract private equity interest, as we also saw the acquisition of ConvergeOne by Clearlake Capital. Outside of private equity activity, unified communications technology company Vertical Communications acquired IT VAR Fulton Communications to bolster its distribution channels. Finally, we noted a number of transactions involving companies that provide refurbished telecom equipment and/or telecom equipment repair services. Targets in this space included Longshot Technology (acquired by Aventis), ASVIDA Asia (acquired by Procurri Corporation), and Tektronik Digital Services (acquired by ANovo). This was the second straight three-month period that saw significant activity in the telecom equipment refurbishment and repair space.

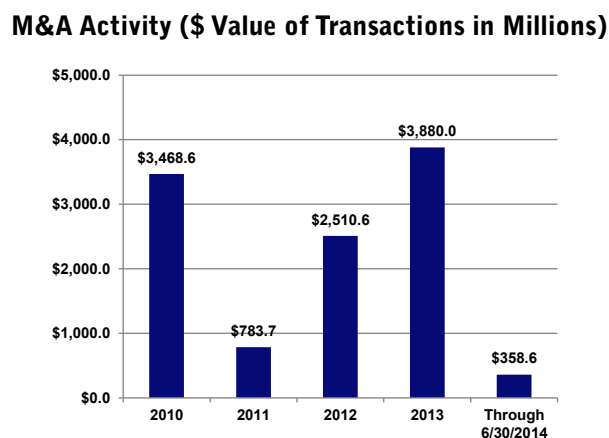
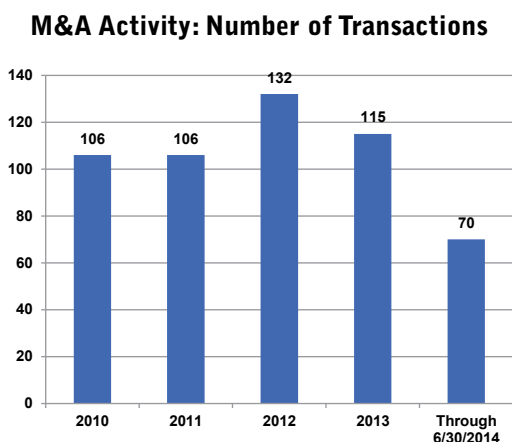
Engineering and Construction

The Engineering and Construction sub sector also had an active three-month period with six announced transactions. Both Dycom and Mastec made acquisitions in the period. Dycom acquired telecom and cable construction firm Watts Brothers, while Mastec acquired residential and business technology installation services company SPEED Wire. This period also marked the final exit of Lemcon from the Telecom Engineering and construction sub sector. Lemcon followed up its earlier divestiture of its North American operations with the sale of its remaining business units in Finland and Norway/Sweden. Finally, diversified engineering firm Renew Holdings acquired international wireless infrastructure services provider Clarke Telecom and investor OCK International acquired Indonesian telecom network services provider PT Putra Mulia Telecommunication.

Transactions with Multiples

This period saw only two transactions with announced multiples. Both of these were in the Telecom Engineering and Construction sub sector. First, wireless infrastructure services provider Clarke Telecom was purchased for a multiple of 0.5x revenue. This is on the low end of the multiples we typically see in the sub sector, although not markedly so. Conversely, the acquisition of PT Putra Mulia Telecommunication for 2.4x revenue is well above what we generally consider to be market multiples. While OCK International did not disclose specifics, it seems plausible that the high multiple was a forward looking multiple based on the company's contracted backlog.

Telecom Business Services: M&A Summary



Announced Transactions (4/1/14 – 6/30/14)

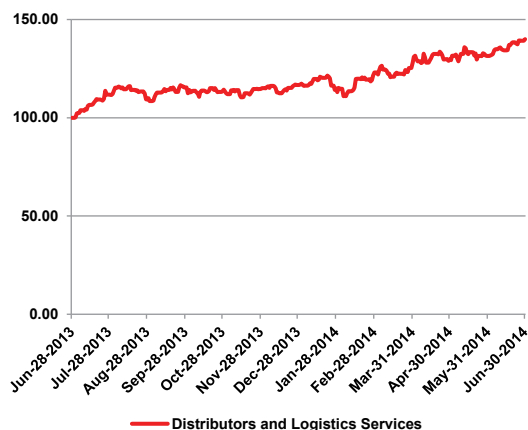
Acquiror	Target	Sector	Date Announced	Purchase Price	Description
Dycom	Watts Brothers Cable Construction	Engineering & Construction	6/25/14	NA	Outside plant construction, engineering, placement and fibre optic cable installation services for telecom and cable operators.
LaSalle Capital	Avtex Solutions	Distributors & Logistics Services	6/25/14	NA	Partner for Interactive Intelligence and Microsoft that provides contact center, unified communications and other networking solutions.
Cygate	Lemcon Networks	Engineering & Construction	6/24/14	NA	Project management and implementation services for mobile telecom, information technology and WiFi network projects.
Jasco Electronics Holdings	Telesto Communications	Distributors & Logistics Services	6/12/14	\$0.9	Call center applications, maintenance and consultation services in South Africa and the Middle East.
Perusa Partners	AddPro	Distributors & Logistics Services	6/11/14	NA	Supplies hardware and software IT infrastructure and security solutions in Sweden.
York Telecom	MultiSense Communications	Distributors & Logistics Services	6/5/14	NA	Supplies unified communications solutions to corporate, education, healthcare and small- and medium-sized businesses.
Vertical Communications	Fulton Communications	Distributors & Logistics Services	6/2/14	NA	Enterprise communication systems and solutions to businesses in North America.
Daisy Group	Layer 3 Advanced Business Solutions	Distributors & Logistics Services	5/31/14	\$3.0	Network integration for businesses including routing and switching, unified communications, wireless LAN and network security.
Wright Industries	Castle Microwave	Distributors & Logistics Services	5/28/14	NA	Distributes radio frequency and microwave products to military, space, telecoms and other markets in the United Kingdom.
Virginia Electronic Components	Connect-IT	Distributors & Logistics Services	5/27/14	NA	Distributes data communications components and equipment including datacom, telecom and structured cabling products.
Management	DIRAD Technologies	Distributors & Logistics Services	5/22/14	NA	Unified communications, contact center, cloud and interactive voice response solutions in the United States.
Aventis Systems	LongShot Technology	Distributors & Logistics Services	5/21/14	NA	Supplies refurbished Dell servers, storage, laptops and workstations to IT consultants and small businesses.
Clearlake Capital	ConvergeOne	Distributors & Logistics Services	5/14/14	NA	Design and implementation services and technical support for the telephony, IT, contact center and unified communications sectors.
The Greentree Group	Midwest Design Computers	Distributors & Logistics Services	5/12/14	NA	Information technology solutions including network infrastructure design and cabling and network hardware implementation.
Mastec	SPEED Wire	Engineering & Construction	5/2/14	NA	Technology deployment services and installations for residential and business customers including CCTV, small cell and Wi-Fi.
Procurri Corporation	ASVIDA Asia	Distributors & Logistics Services	4/30/14	\$5.1	Information technology asset recovery and maintenance services for businesses, system integrators and cloud service providers.
OCK International	PT Putra Mulia Telecommunication	Engineering & Construction	4/29/14	\$8.2	Provides telecommunications network services to telecom operators and solution vendors in Indonesia.
Renew Holdings	Clarke Telecom	Engineering & Construction	4/29/14	\$28.6	Wireless telecommunication network infrastructure services to mobile phone operators and third-party network operators.
NetCenergy	Landon Group	Distributors & Logistics Services	4/24/14	NA	Information technology services and support to businesses, schools, non-profits and public housing authorities in the Northeast U.S.
BCT Partners	LYNX Technology Partners	Distributors & Logistics Services	4/23/14	NA	Provides information security consultancy services, network management services and virtualization services.
Dimension Data	Nexus IS	Distributors & Logistics Services	4/23/14	NA	Voice, video and Web collaboration, conferencing and network integration solutions to organizations in the U.S. and internationally.
Winxnet	InfoSecurus	Distributors & Logistics Services	4/22/14	NA	Provides information security consulting services including security testing and vulnerability assessments.
SiS Inflexionpoint	Qool Labs	Distributors & Logistics Services	4/16/14	NA	Distributes smart phones and other mobility products through a network of mobile retailers, operators and enterprise resellers.
ANovo	Tektronik Digital Services	Distributors & Logistics Services	4/14/14	NA	Provides local router and decoder repair and refurbishment services.
LDC	Connect Communications	Distributors & Logistics Services	4/14/14	NA	Provides unified communications integration solutions and services in Europe.
The Herjavec Group	GalaxyTech International	Distributors & Logistics Services	4/14/14	NA	Information technology solutions including various security products, network monitoring, wireless and technical support services.
Atea	BCC Finland	Distributors & Logistics Services	4/8/14	NA	Provides IT hardware, software and service solutions in Finland.
Netel	Lemcon Networks (Businesses in Norway and Sweden)	Engineering & Construction	4/4/14	NA	Project management and implementation services for mobile operators in Norway and Sweden.
Exceed Technologies	3Point Technologies	Distributors & Logistics Services	4/2/14	NA	Computer sales and service, networking services, structured cabling and business telephone systems and support.
Global Data Consultants	Integrated Communication Services	Distributors & Logistics Services	4/2/14	NA	Network cabling installation solutions, video surveillance, unified communications systems and telephone systems.
Hills Holdings	Open Platform Systems	Distributors & Logistics Services	4/2/14	NA	Distributes network access equipment for data communications, physical security systems and cyber security solutions in Australia.

Announced Transactions with Revenue Multiples (7/1/13 – 6/30/14)

Acquiror	Target	Sector	Date Announced	Purchase Price	Revenue Multiple	EBITDA Multiple	Description
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.
Cancom	on line Datensysteme	Distributors & Logistics Services	9/30/13	\$24.1	0.5 x	5.4 x	IT solutions in the areas of desktop and printing, server and storage and software and security.
Vita Group	Camelon Pacific Technology	Distributors & Logistics Services	9/16/13	\$4.3	1.0 x	NA	IT solutions to businesses in Australia including IP telephony, IP networking and IT support and helpdesk.

Sub Sector Analysis: Distributors and Logistics Services

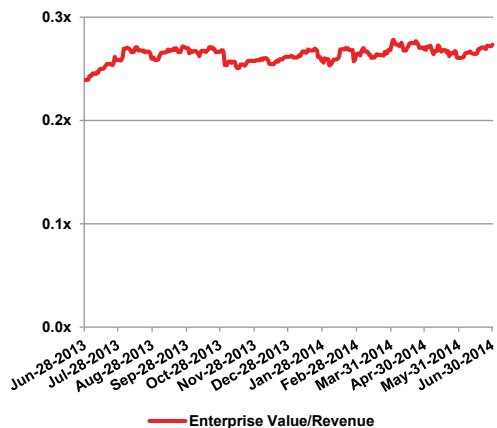
Twelve Month Index Returns



Company Returns

	12 Month	3 Month
Distributors & Logistics Index	40.0%	9.2%
ADDvantage Technologies	20.8%	-17.0%
Black Box	-7.4%	-3.7%
CDW	71.2%	16.2%
ConvergeNet	-41.1%	-31.2%
DataLink	-6.0%	-28.2%
Datatec	-8.8%	9.1%
ePlus	-2.8%	4.4%
Insight	73.3%	22.4%
PC Connection	33.9%	1.8%
Tech Data	32.8%	2.6%
Tessco	20.2%	-15.1%

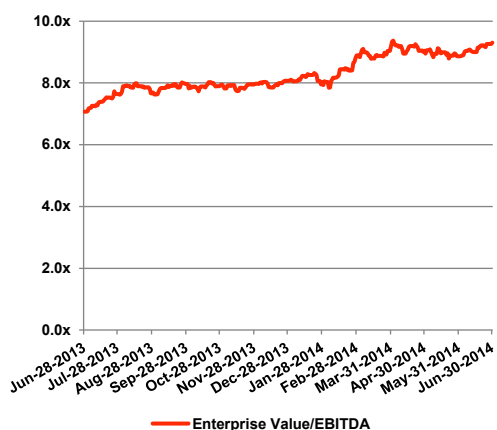
Revenue Multiple Trends



Company Revenue Multiples

	6/30/2014	6/30/2013
Distributors & Logistics Index	0.3x	0.2x
ADDvantage Technologies	0.9x	0.5x
Black Box	0.5x	0.6x
CDW	0.8x	0.6x
ConvergeNet	0.1x	NM
DataLink	0.3x	0.4x
Datatec	0.2x	0.2x
ePlus	0.5x	0.6x
Insight	0.2x	0.2x
PC Connection	0.2x	0.2x
Tech Data	0.1x	0.1x
Tessco	0.5x	0.3x

EBITDA Multiple Trends



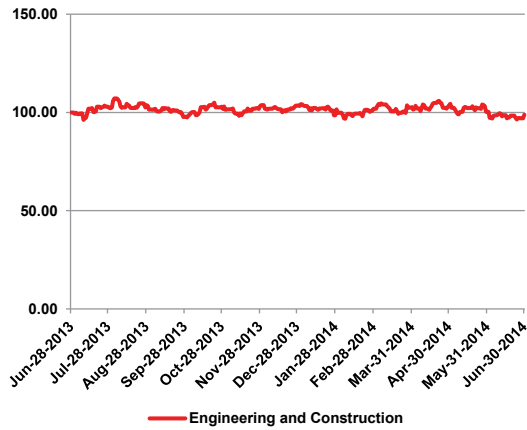
Company EBITDA Multiples

	6/30/2014	6/30/2013
Distributors & Logistics Index	9.3x	7.1x
ADDvantage Technologies	14.6x	5.1x
Black Box	7.3x	6.8x
CDW	11.9x	9.0x
ConvergeNet	NM	NM
DataLink	7.1x	8.5x
Datatec	6.4x	6.1x
ePlus	6.8x	7.3x
Insight	6.5x	4.4x
PC Connection	7.0x	5.5x
Tech Data	8.1x	6.8x
Tessco	8.4x	6.5x

Source: Capital IQ

Sub Sector Analysis: Engineering and Construction

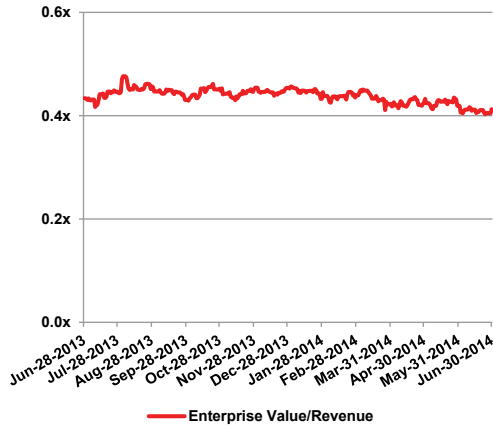
Twelve Month Index Returns



Company Returns

	12 Month	3 Month
Engineering & Construction Index	-1.2%	-4.1%
Baran Group	3.8%	0.6%
China Communications Services	-23.0%	5.1%
COMSYS Holdings	45.6%	18.3%
Dycom	35.3%	-0.9%
Mastec	-6.3%	-29.1%
MIRAIT Holdings	11.6%	14.0%
TSS	-46.2%	-27.1%
Unitek	-70.7%	-77.7%
WPCS	-88.1%	-67.1%

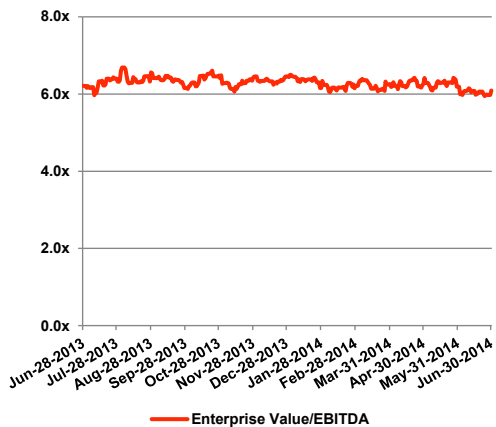
Revenue Multiple Trends



Company Revenue Multiples

	6/30/2014	6/30/2013
Engineering & Construction Index	0.4x	0.4x
Baran Group	0.3x	0.3x
China Communications Services	0.2x	0.3x
COMSYS Holdings	0.6x	0.4x
Dycom	0.8x	0.8x
Mastec	0.8x	0.8x
MIRAIT Holdings	0.3x	0.2x
TSS	0.2x	0.2x
Unitek	0.4x	0.4x
WPCS	0.3x	0.2x

EBITDA Multiple Trends



Company EBITDA Multiples

	6/30/2014	6/30/2013
Engineering & Construction Index	6.1x	6.2x
Baran Group	NM	6.5x
China Communications Services	4.2x	5.6x
COMSYS Holdings	6.1x	4.8x
Dycom	8.0x	7.7x
Mastec	7.8x	8.8x
MIRAIT Holdings	5.1x	4.5x
TSS	NM	NM
Unitek	6.3x	4.8x
WPCS	NM	9.7x

Source: Capital IQ

FOCUS Telecom Technology and Services Team



Richard H. Pierce

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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.



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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.



David Freeland

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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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