



FOCUS Telecom
Technology and Services Group
Telecom Business
Services Quarterly

Winter 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

On the plus side, the final three months of 2013 witnessed another respectable gain of 4.2% in the FOCUS Telecom Business Services Index (TBSI). This was a nice way to conclude a year in which the TBSI was up a total of 19.3%. The only bad news is that even with these strong gains, the sector failed to keep up with the broader market in either the three-month or twelve-month periods. Three month gains for the S&P 500 and NASDAQ were 9.9% and 10.7%, respectively. Twelve month gains were even higher at 29.6% and 38.3%. Sector multiples also continue to climb, closing out the year with the revenue multiple at 0.3x and the EBITDA multiple at 7.2x. This compares to sector revenue and EBITDA multiples of 0.2x and 5.4x from the year ago period. Compared to our most recent Autumn 2013 report, the sector revenue multiple is unchanged while the EBITDA multiple is up slightly from 7.1x.

Distributors and Logistics Services

The Distributors and Logistics Services sub sector had its second straight three-month period of gains; in this case a modest increase of 1.2%. Sub sector performance was mixed, with five companies showing gains and four showing losses. TESSCO was particularly impressive. The company turned in a gain of 19.6%, which was a nice follow up to its gain of more than 20% in our last reporting period. Other strong performers for the past three months were Insight with a gain of 20.1% and cable equipment

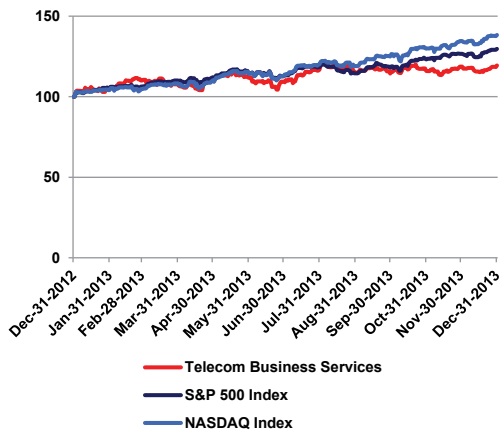
distributor ADDvantage Technologies with a gain of 9.8%. On the downside, ConvergeNet and Datatec, both IT VARs with a heavy focus on emerging markets, were down steeply. In addition, data center-focused distributor Datalink was down nearly 20% for the period after it reporting earnings that fell below consensus estimates. Sub sector multiples now stand at 0.3x revenue and 8.1x EBITDA. This is up sharply from the 0.1x revenue and 5.1x EBITDA of a year ago, but flat compared to the sub sector multiples in our Autumn report.

Engineering and Construction

The Engineering and Construction sub sector rebounded nicely from last period's loss with a solid three-month gain of 6.9%. The star performer for the period was Unitek with a three-month gain of 42.7%. The gains at Unitek were the result of strong increases in reported revenue and EBITDA as well as the company's ability to regain compliance with NASDAQ filing requirements. Performance at the other U.S.-focused companies in the sub sector was mixed. Mastec was up a strong 8.0%, while Dycom was essentially flat, and WPCS dropped nearly 20%. The international companies were more consistent, with all but Baran Group in positive territory for the period. Sub sector multiples continued to creep up, ending the period at 0.5x revenue and 6.4x EBITDA. This represents an increase compared to both the prior year period as well as our Autumn 2013 report.

Telecom Business Services: Public Market Summary

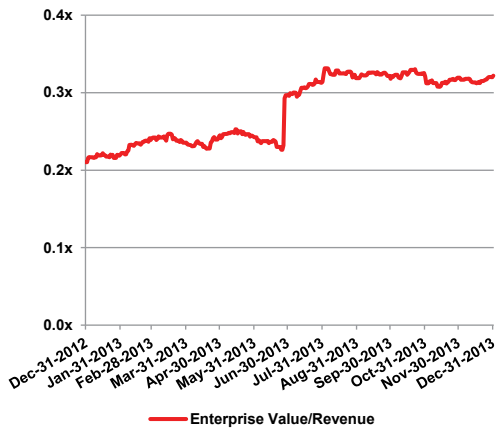
Twelve Month Index Returns



Sector and Sub Sector Returns

	12 Month	3 Month
Telecom Business Services	19.3%	4.2%
Distributors and Logistics Services	18.7%	1.2%
Engineering and Construction	18.0%	6.9%
S&P 500	29.6%	9.9%
NASDAQ	38.3%	10.7%

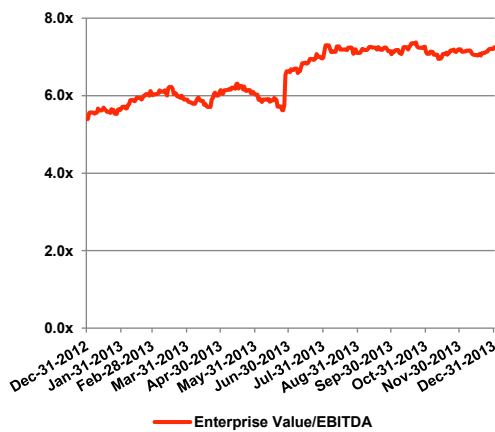
Revenue Multiple Trends



Sector and Sub Sector Revenue Multiples

	12/31/2013	12/31/2012
Telecom Business Services	0.3x	0.2x
Distributors and Logistics Services	0.3x	0.1x
Engineering and Construction	0.5x	0.4x

EBITDA Multiple Trends



Sector and Sub Sector EBITDA Multiples

	12/31/2013	12/31/2012
Telecom Business Services	7.2x	5.4x
Distributors and Logistics Services	8.1x	5.1x
Engineering and Construction	6.4x	5.6x

Source: Capital IQ

Summary Comments

M&A

For the second straight period, the number of transactions in the Telecom Business Services sector was relatively low. This period saw only 18 transactions, even lower than the 23 transactions noted in our Autumn 2013 report. The slowdown in the back half of the year means that the number of transactions in the sector is down more than 10% from 2012, although it was still relatively high compared to other years. However, when looked at from a dollar volume perspective, the situation changes dramatically. This three-month period saw approximately \$3.1 billion in announced dollar volume, or more than 75% of the yearly total. In addition, the \$3.9 billion in total announced transaction dollar volume gives 2013 the highest dollar volume of any year in the past five.

Distributors and Logistics Services

The Distributors and Logistics Services sub sector saw only 16 transactions for the second straight period. The vast majority of these transactions were for enterprise IT value added distributors. However, the most notable transaction for the period was Softbank's \$2.8 billion acquisition of Brightstar, a service provider-focused distributor of wireless handsets and related services. Subsequent to its acquisition by Softbank, Brightstar then turned around and acquired European wireless distributor 20:20 Mobile Group. In the period's next largest transaction, private equity group Madison Dearborn Partners acquired LGS Innovations, a subsidiary of Alcatel-Lucent that distributes networking equipment to the U.S. Federal Government.

Finally, communications service provider Telephone and Data Systems continued its acquisitive ways by adding another distributor of IT networking equipment to its portfolio. In this case, the company purchased Colorado-based MSN Communications for \$40 million.

Engineering and Construction

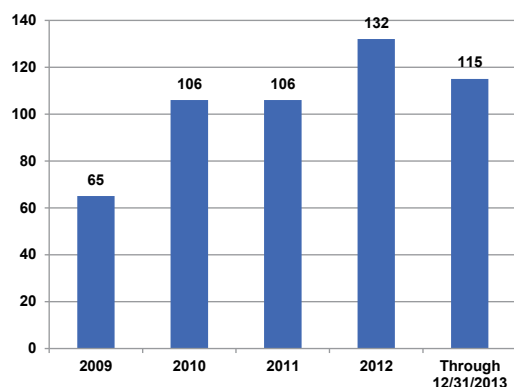
After a very strong first nine months of 2013, deal activity in the Engineering and Construction sub sector slowed dramatically in the past three months. This most recent period saw only two transactions in the sub sector. In the first transaction, Faith Technologies acquired data center design and installation firm CSS Power. Faith Technologies is an electrical contractor and the acquisition strengthens its presence in the high growth data center market in the Midwest. In the second transaction, Canadian firm Telecon acquired the wireless construction division from Netricom (formerly Prestige Telecom). Neither transaction had an announced dollar volume.

Transactions with Multiples

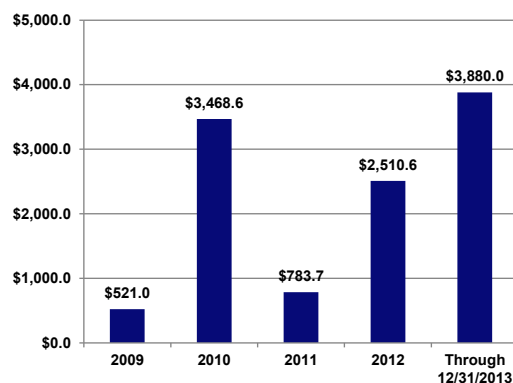
This most recent period saw three transactions with announced multiples. The period's largest transaction, Softbank's acquisition of Brightstar, came in at 0.4x revenue and a very strong 10.8x EBITDA. The Telephone and Data Systems acquisition of MSN Communications likewise had a multiple of 0.4x revenue. Finally, MB Technologies' acquisition of security products distributor SecureData Holdings had a multiple of 0.2x revenue.

Telecom Business Services: M&A Summary

M&A Activity: Number of Transactions



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



Announced Transactions (10/1/13 – 12/31/13)

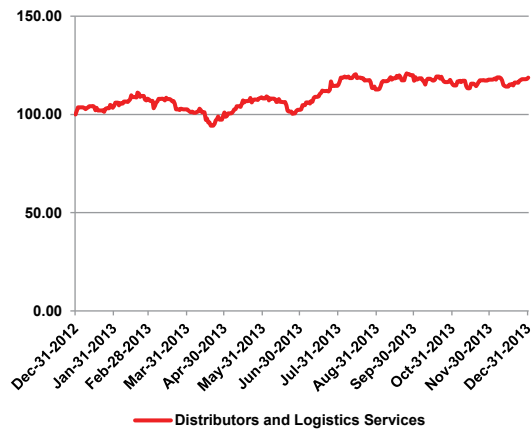
Acquiror	Target	Sector	Date Announced	Purchase Price	Description
Madison Dearborn	Alcatel-Lucent (LGS Innovations Subsidiary)	Distributors & Logistics Services	12/19/13	\$200.0	Researches, develops and deploys networking solutions dedicated to U.S. Federal Government operations around the world.
InflexionPoint Technologies	Iris Computers	Distributors & Logistics Services	12/18/13	NA	Distributes information technology hardware products and provides associated services in India.
Intercloud	Integration Partners	Distributors & Logistics Services	12/12/13	NA	Voice and data network engineering firm specializing in Unified Communications, and Secure Network Infrastructure solutions.
Brightstar	20:20 Mobile Group	Distributors & Logistics Services	12/5/13	NA	Distributes mobile phones and accessories for business and consumer markets in the United Kingdom and internationally.
Exclusive Networks	Terach Group	Distributors & Logistics Services	12/5/13	NA	Distributes security and networking solutions for the Benelux enterprise market.
Faith Technologies	CSS Power	Engineering & Construction	12/5/13	NA	Provides power and infrastructure solutions to clients in the data center, IT, healthcare, telecom, call center and defense industries.
Dimension Data	NextiraOne Management	Distributors & Logistics Services	12/2/13	NA	Designs, installs, maintains and supports business and communications solutions for customers in Europe.
Telecon	Netricom (Wireless Construction Division)	Engineering & Construction	12/2/13	NA	Provides construction services for wireless telecom service providers in the Canadian market.
MB Technologies	SecureData Holdings	Distributors & Logistics Services	11/20/13	\$7.2	Distributes network and information security solutions and provides information security services.
Exclusive Networks	Network Distributors	Distributors & Logistics Services	11/18/13	NA	Value added distributor in the information technology security and mobility industries in the Middle East.
ePlus	AdviStor	Distributors & Logistics Services	11/14/13	NA	Designs, integrates and installs storage and virtualization solutions for client's data storage and backup requirements.
Signature Technology Group	GlassHouse Technologies (Customer Service Support Division)	Distributors & Logistics Services	11/1/13	NA	Customer service support, field services, logistics and distribution support and professional services related to the data center.
FishNet Consulting	Torrey Point Group	Distributors & Logistics Services	10/31/13	NA	Network and security architecture, deployment and managed services as well as products and technologies.
Lanway Corporate Business Systems	Profile IT	Distributors & Logistics Services	10/28/13	NA	Provides servers, data storage products, networking products, mobile computing products and telephony products in the United Kingdom.
Paul Bunyan Telephone	North Country Business Products	Distributors & Logistics Services	10/23/13	NA	Distributes phone systems to business customers.
Softbank	Brightstar	Distributors & Logistics Services	10/18/13	\$2,810.5	Distribution, supply chain, handset protection and insurance, buy-back and trade-in solutions for mobile operators.
ProA Capital de Inversiones	Ibermática	Distributors & Logistics Services	10/16/13	NA	ICT consulting, equipment and system integration services.
Telephone and Data Systems	MSN Communications	Distributors & Logistics Services	10/8/13	\$40.0	Value added distributor of IT infrastructure hardware solutions from Cisco, EMC, VMware, VCE, Appspace, NetApp and F5.

Announced Transactions with Revenue Multiples (1/1/13 – 12/31/13)

Acquiror	Target	Sector	Date Announced	Purchase Price	Revenue Multiple	EBITDA Multiple	Description
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.
Triton	Infratek	Engineering & Construction	6/26/13	\$113.6	0.2 x	5.5 x	Technical services for developing, operating and securing distribution networks, telecom/fiber optic networks and railway systems.
Pinnacle Technology	Datacentrix Holdings	Distributors & Logistics Services	6/6/13	\$58.5	0.3 x	4.4 x	IT infrastructure and business solutions to enterprises in South Africa.
Goodman Networks	Multiband	Engineering & Construction	5/22/13	\$115.5	0.4 x	11.7 x	Installation services for DirecTV, telecom engineering and construction services and triple play services to the MDU market.
TSS	Arvato Digital Services (Data Center Integration Business)	Engineering & Construction	5/21/13	\$1.5	0.2 x	NA	Custom rack layout design and configuration for large enterprise IT solutions.
Birch Hill Equity Partners	Softchoice Corporation	Distributors & Logistics Services	4/22/13	\$331.2	0.3 x	6.1 x	Hardware and software solutions for the assessment, design, management and monitoring of enterprise IT infrastructure.
Atea	Exait	Distributors & Logistics Services	2/5/13	\$7.4	0.4 x	4.8 x	IT support and consultancy in the areas of infrastructure, systems development, systems integration and product sales.
NX Utilities	Unitek Global Services (Wireline Assets)	Engineering & Construction	1/4/13	\$11.9	0.2 x	7.7 x	Provides engineering, construction management and installation fulfillment services to the wireline telecom industry.

Sub Sector Analysis: Distributors and Logistics Services

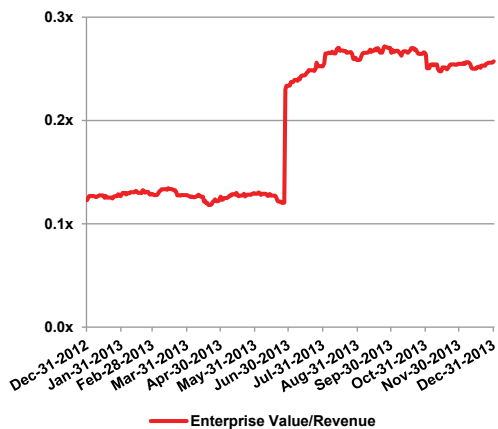
Twelve Month Index Returns



Company Returns

	12 Month	3 Month
Distributors & Logistics Index	18.7%	1.2%
ADDvantage Technologies	34.9%	9.8%
Black Box	22.4%	-2.7%
CDW	NA	2.3%
ConvergeNet	-59.1%	-25.5%
DataLink	27.5%	-19.4%
Datatec	-14.6%	-16.6%
Insight	30.7%	20.1%
Tech Data	13.3%	3.4%
Tessco	82.1%	19.6%

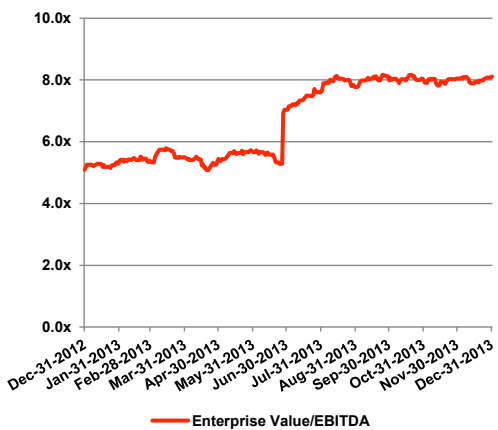
Revenue Multiple Trends



Company Revenue Multiples

	12/31/2013	12/31/2012
Distributors & Logistics Index	0.3x	0.1x
ADDvantage Technologies	0.6x	0.6x
Black Box	0.6x	0.6x
CDW	0.7x	NA
ConvergeNet	0.4x	0.2x
DataLink	0.3x	0.3x
Datatec	0.2x	0.2x
Insight	0.2x	0.2x
Tech Data	0.1x	0.1x
Tessco	0.5x	0.2x

EBITDA Multiple Trends



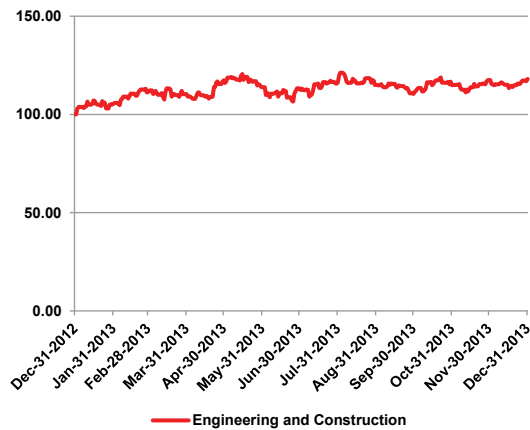
Company EBITDA Multiples

	12/31/2013	12/31/2012
Distributors & Logistics Index	8.1x	5.1x
ADDvantage Technologies	6.5x	4.9x
Black Box	7.4x	7.1x
CDW	10.4x	NA
ConvergeNet	NM	740.1x
DataLink	8.0x	5.4x
Datatec	6.1x	6.9x
Insight	5.3x	4.4x
Tech Data	5.8x	4.3x
Tessco	10.4x	4.9x

Source: Capital IQ

Sub Sector Analysis: Engineering and Construction

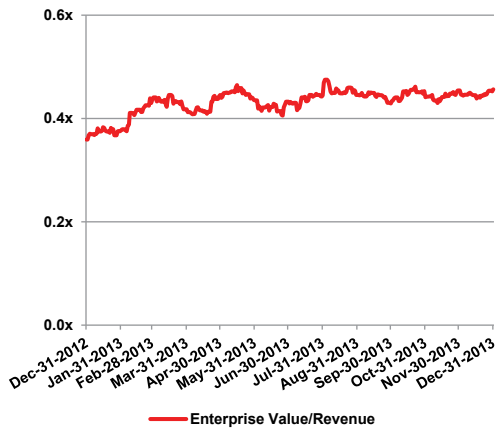
Twelve Month Index Returns



Company Returns

	12 Month	3 Month
Engineering & Construction Index	18.0%	6.9%
Baran Group	13.3%	-1.1%
China Communications Services	7.1%	6.0%
COMSYS Holdings	22.4%	12.8%
Dycom	40.4%	-0.7%
Mastec	31.2%	8.0%
MIRAIT Holdings	-2.2%	4.3%
TSS	-8.3%	-40.5%
Unitek	-53.9%	42.7%
WPCS	-16.5%	-18.6%

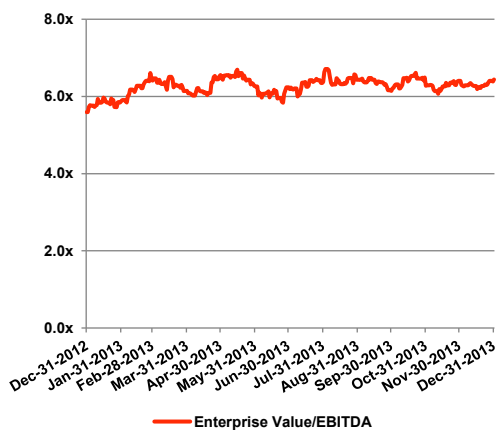
Revenue Multiple Trends



Company Revenue Multiples

	12/31/2013	12/31/2012
Engineering & Construction Index	0.5x	0.4x
Baran Group	0.2x	0.2x
China Communications Services	0.3x	0.3x
COMSYS Holdings	0.5x	0.3x
Dycom	0.8x	0.6x
Mastec	0.8x	0.6x
MIRAIT Holdings	0.2x	0.2x
TSS	0.2x	0.1x
Unitek	0.5x	0.6x
WPCS	0.4x	0.2x

EBITDA Multiple Trends



Company EBITDA Multiples

	12/31/2013	12/31/2012
Engineering & Construction Index	6.4x	5.6x
Baran Group	3.1x	3.3x
China Communications Services	6.0x	4.9x
COMSYS Holdings	5.3x	4.5x
Dycom	7.1x	6.0x
Mastec	8.2x	7.1x
MIRAIT Holdings	4.7x	3.6x
TSS	NM	NM
Unitek	7.6x	6.7x
WPCS	NM	NM

Source: Capital IQ

FOCUS Telecom Technology and Services Team

Richard H. Pierce



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

rich.pierce@focusbankers.com
202-470-1983

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



Partner, Bend, Oregon

john.bradshaw@focusbankers.com
541-306-6451

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



Principal, San Francisco, California
david.freeland@focusbankers.com
978-505-1837

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



Managing Director, Washington, DC

eric.oganesoff@focusbankers.com
202-470-1969

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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FOCUS

Investment Banking

MID-ATLANTIC REGION

FOCUS Investment Banking LLC
Headquarters
1133 20th Street, NW
Suite 200
Washington, DC 20036
202.785.9404
202.785.9413 (fax)

SOUTHEAST REGION

FOCUS Investment Banking LLC
Atlanta Office
3353 Peachtree Road, NE
Suite 1160
Atlanta, GA 30326
404.504.8620
404.814.9141 (fax)

WESTERN REGION

FOCUS Investment Banking LLC
Los Angeles Office
355 South Grand Avenue
Suite 2450
Los Angeles, CA 90071
213.943.1395
213.943.1397 (fax)

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