

FOCUS

Investment Banking

Telecom Technology and Services Group

Telecom Business Services Quarterly



Investment Banking and Advisory Services

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

- Mergers & Acquisition Advisory
- Corporate Development Consulting
- Strategic Partnering & Alliances
- Capital Financing, Debt & Equity
- Corporate Valuations

Winter 2020

Vol. 10, No. 1

IN THIS ISSUE

- 2 Introduction and Sub Sector Definitions
- 3 Summary Comments: Public Markets
- 4 Telecom Business Services: Public Market Summary Charts 1-6
- 5 M&A Summary Comments: M&A Summary Charts 1-2
- 6 M&A Announced Transactions
- 7 M&A Announced Transactions with Revenue Multiples
- 8 Sub Sector Analysis: Distributors and Logistics Services Charts 1-6
- 9 Sub Sector Analysis: Engineering and Construction Charts 1-6
- 10 FOCUS Telecom Technology and Services Team

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 two professionals with a combined 30+ years of transaction experience across a wide variety of telecommunications-related companies. 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 seasoned bankers with decades of telecom industry experience,
- 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 sub 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

For the second straight reporting period the FOCUS Telecom Business Services Index (TBSI) both delivered a positive return and outperformed the broader indices. The sector shot up 14.9% in the past three months, which handily outperformed both the 8.5% gain in the S&P 500 and the 12.2% gain in the NASDAQ. The picture is even stronger for the full year with the TBSI up 43.6% over the last 12 months. This once again compares favorably to both the 28.9% gain in the S&P 500 and the 35.2% gain in the NASDAQ over the corresponding time period. Sector revenue and EBITDA multiples are also higher than what they were a year ago. The revenue multiple for the TBSI increased from 0.4x to 0.5x, while the EBITDA multiple grew from 8.7x to 10.5x.

Distributors and Logistics Services

The Distributors and Logistics Services sub sector enjoyed yet another strong reporting period with a three-month gain of nearly 20%. Six of the seven companies in the index delivered double digit returns, including a nearly 40% increase at Tech Data after the announcement that it had entered into a take private transaction with Apollo Global Management. The lone stock in negative territory over this time period was TESSCO, which fell slightly more than 20%. The picture for the full year period is similar.

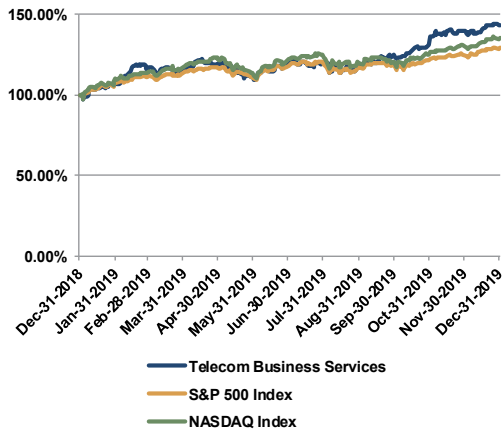
All of the companies in the sub sector except TESSCO are up sharply over the past 12 months with gains ranging from 18% to more than 75%. In contrast, TESSCO was down slightly over the full year period as with a loss of 6.5%. Not surprisingly, sub sector multiples are meaningfully higher than they were a year ago. The sub sector revenue multiple ended the period at 0.5x (up from 0.3x a year ago) while the EBITDA multiple closed out the period at 13.8x (up from 9.7x a year ago).

Engineering and Construction

The Engineering and Construction sub sector reversed the downward trend that we have noted in our last two reports and delivered a strong three-month return of 6.7%. The primary driver of the gain was a 28.8% increase at China Communications Systems. In contrast, Dycor and Mastec, the two major U.S. companies in the sub sector, were down 7.6% and 1.2%, respectively. The sub sector is still up nearly 9% for the full year period, due in large part to a 58.2% increase at Mastec over the past 12 months. Other strong performers over the full year time frame included COMSYS Holdings and TSS. Even with the sub sector's year-over-year increases, multiples have actually fallen over the past year. The sub sector revenue multiple dipped from 0.5x to 0.4x, while the sub sector EBITDA multiple dropped from 7.5x to 6.8x.

Telecom Business Services: Public Market Summary

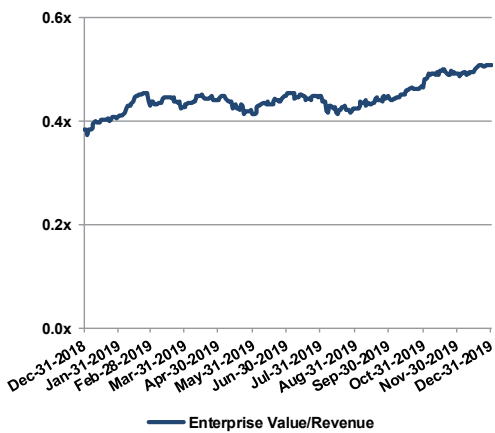
Twelve Month Index Returns



Sector and Sub Sector Returns

	12 Month	3 Month
Telecom Business Services	43.6%	14.9%
Distributors and Logistics Services	71.9%	19.9%
Engineering and Construction	8.9%	6.7%
S&P 500	28.9%	8.5%
NASDAQ	35.2%	12.2%

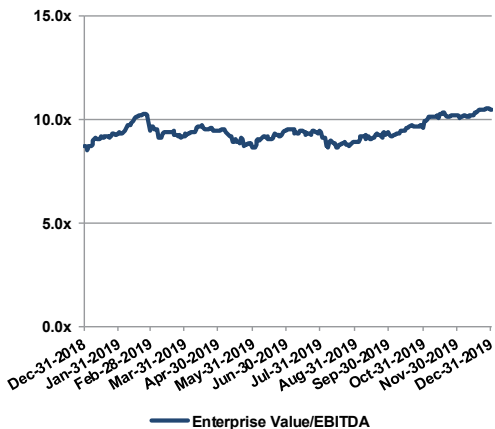
Revenue Multiple Trends



Sector and Sub Sector Revenue Multiples

	12/31/2019	12/31/2018
Telecom Business Services	0.5x	0.4x
Distributors and Logistics Services	0.5x	0.3x
Engineering and Construction	0.4x	0.5x

EBITDA Multiple Trends



Sector and Sub Sector EBITDA Multiples

	12/31/2019	12/31/2018
Telecom Business Services	10.5x	8.7x
Distributors and Logistics Services	13.8x	9.7x
Engineering and Construction	6.8x	7.5x

Source: Capital IQ

M&A Summary Comments

M&A

It was a bit of a mixed picture in terms of M&A activity in the Telecom Business Services sector in our winter reporting period. With only 26 transactions in the past three months, the level of activity was extremely low in terms of the number of announced deals. However, because of a single large deal, total announced transaction dollar volume came in at a near record level of more than \$5.6 billion. The picture is similar when we look at the full year 2019 numbers. The 127 transactions for all of 2019 make it the lowest year in the last five based on the number of deals, while the \$8.7 billion in total announced transaction dollar volume make it the best year for M&A in the last five based on this metric. The main reason for the lower number of transactions continues to be fewer transactions involving traditional value-added equipment resellers. Areas like Engineering and Construction are actually seeing relatively high levels of transaction volume.

Distributors and Logistics Services

There were only 16 transactions in the Distributors and Logistics Services sub sector this period, which is much lower than we have seen historically. However, this activity did include the \$5.6 billion acquisition of Tech Data by Apollo Global Management, so total announced transaction dollar volume was extremely high. Interestingly, Tech Data was also an acquirer as it purchased Inflow Technologies, a value-added distributor operating in the Asia-Pacific region. After a long M&A hiatus, it was interesting to see that Clover Technologies actually inked two transactions this period. It acquired MaxBack to expand its presence in the consumer electronics space and also increased its European footprint with the acquisition of

Teleplan. The cell phone repair space also continues to be active with acquisitions by both Assurant and private equity firm Insight Equity. Finally, we noted that leading data center maintenance service provider Service Express switched private equity backers after its acquisition by Harvest Partners.

Engineering and Construction

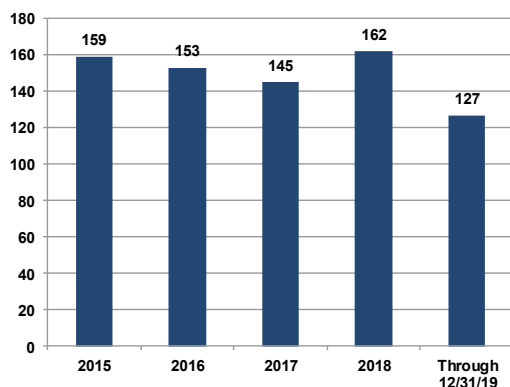
The pace of M&A activity in the Engineering and Construction sub sector remained at a relatively high level with ten transactions this period. This included a new private equity player in the space as ONCAP acquired wireless infrastructure services firm EnerTech from its former owner Tower Arch Capital. QualTek remained active with a pair of acquisitions of wireless services companies, while AFL Telecommunications also acquired antenna installation and maintenance services firm Optical Telecom. We also noted that the structured cabling space was active this period with Allvotec's acquisition of ISG Technology and LINX's acquisition of Teknon Corporation.

Transactions with Multiples

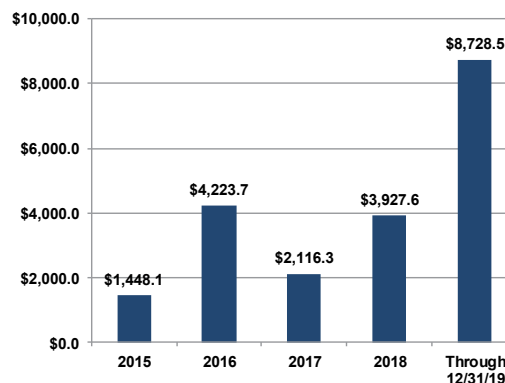
For the second straight reporting period we had two transactions with announced multiples. Both of these transactions were in the Distributors and Logistics Services sub sector, and the multiples were fairly consistent. The first transaction with an announced multiple was the take private of Tech Data. This was done at 0.2x revenue and 7.5x EBITDA. In the second transaction with an announced multiple, Converge Technology Partners acquired Datatrend Technologies for an identical revenue multiple of 0.2x but for a slightly lower EBITDA multiple of 5.6x.

Telecom Business Services: M&A Summary

M&A Activity: Number of Transactions



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



M&A Announced Transactions (10/1/19 – 12/31/19)

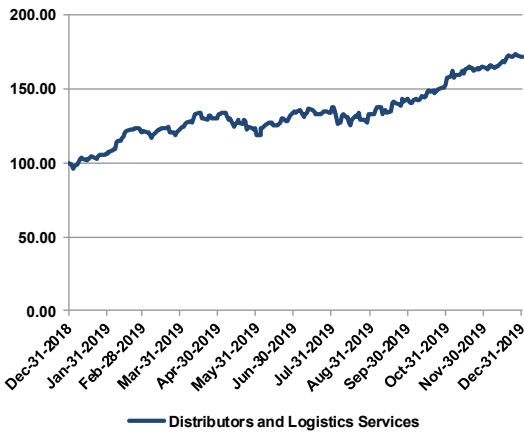
Acquiror	Target	Sector	Date Announced	Purchase Price	Description
Allvotec	ISG Technology	Telecom Engineering and Construction	12/19/19	NA	Structured cabling, wireless networking and network infrastructure management solutions in the UK.
Tech Data	Inflow Technologies	Distributors & Logistics Services	12/17/19	NA	Value-added distributor with expertise in areas like cybersecurity and networking serving customers in the Asia-Pacific region.
NTI Connect	VERTICOM	Telecom Engineering and Construction	12/13/19	NA	Designs, acquires, develops and maintains broadband networks for wireless, cable and fiber network operators.
WHP Telecoms	Sitec Infrastructure Services	Telecom Engineering and Construction	12/9/19	NA	Project management company providing end-to-end solutions for mobile and fixed line network operators in the UK.
Var Group	Yarix	Distributors & Logistics Services	12/5/19	\$5.6	Information technology security solutions and services to government agencies, education, healthcare and other markets worldwide.
Clover Technologies Group	Teleplan International	Distributors & Logistics Services	12/4/19	NA	End-to-end electronics supply chain services and solutions to customers in more than 120 countries.
LINX	Teknon Corporation	Telecom Engineering and Construction	12/3/19	NA	Design, installation and maintenance for cable plant systems, structured cabling, wireless LAN and distributed antenna systems.
Logically	Carolinas IT	Distributors & Logistics Services	12/3/19	NA	Designs, implements and supports business computer networking systems.
Patriot Technologies	Communication Technologies & Consulting	Telecom Engineering and Construction	11/30/19	NA	Provides services including optical networks, distributed antenna systems and data center design and construction.
Harvest Partners	Service Express	Distributors & Logistics Services	11/22/19	NA	Post-warranty data center equipment maintenance services to more than 4,000 customers.
ITVantix	WAHL Telecommunications	Distributors & Logistics Services	11/18/19	NA	Low voltage cabling and telephone systems provider in Georgia.
2CRSi Group	Boston Limited	Distributors & Logistics Services	11/15/19	NA	Provides IT equipment and related systems integration services for businesses globally.
Apollo Global Management	Tech Data	Distributors & Logistics Services	11/13/19	\$5,604.7	IT distribution and solutions company offering a broad portfolio of solutions from endpoint products to data center technologies.
ONCAP	Enertech	Telecom Engineering and Construction	11/13/19	NA	Wireless infrastructure services to telecommunications carriers and tower owners throughout the Southern, Central and Northwest U.S.
Unified Communications.com	Novus	Distributors & Logistics Services	11/5/19	NA	IP telephony, Microsoft teams and skype for business integration and technical support services.
Assurant	MMI-CPR	Distributors & Logistics Services	10/31/19	NA	Cell phone, tablet and computer repair services for consumers and businesses.
New Era Technology	Cameo Global	Distributors & Logistics Services	10/29/19	NA	Provides contact center technologies and specializes in designing, building and managing collaboration infrastructure.
Clover Technologies Group	MaxBack	Distributors & Logistics Services	10/21/19	NA	Purchases and resells consumer electronic devices such as cell phones, tablets, fitness trackers and other wearables.
QualTek	Aerial Wireless	Telecom Engineering and Construction	10/21/19	NA	Program management, installation and maintenance for wireless and broadband customers throughout the Northeast region.
Marlin Equity Partners	Whitlock	Distributors & Logistics Services	10/16/19	NA	Technology integrator with expertise in AV, collaboration and other workplace solutions.
Braathe Gruppen	iTet	Distributors & Logistics Services	10/14/19	NA	Distributes information technology products to both corporate and government customers.
Insight Equity	Computer Technology Solutions	Distributors & Logistics Services	10/10/19	NA	Repair services for products such as cell phones and computers and also provides supply chain and reverse logistics services.
BKW	LTB Leitungsbau	Telecom Engineering and Construction	10/9/19	NA	Engages in the construction of energy and information transmission facilities.
QualTek	Vinculum	Telecom Engineering and Construction	10/8/19	NA	Telecom infrastructure services provider for wireless operators throughout the western and southern United States.
Converge Technology Partners	Datatrend Technologies	Distributors & Logistics Services	10/3/19	\$17.5	Consulting, planning and designing of data centers and multi-cloud environments as well as cabling and wireless solutions.
AFL Telecommunications	Optical Telecom	Telecom Engineering and Construction	10/1/19	NA	Wireless antenna installation and maintenance services as well as site survey, design and testing services.

M&A Announced Transactions with Revenue Multiples (1/1/19 – 12/31/19)

Acquiror	Target	Sector	Date Announced	Purchase Price	Revenue Multiple	EBITDA Multiple	Description
Apollo Global Management	Tech Data	Distributors & Logistics Services	11/13/19	\$5,604.7	0.2 x	7.5 x	IT distribution and solutions company offering a broad portfolio of solutions from endpoint products to data center technologies.
Converge Technology Partners	Datatrend Technologies	Distributors & Logistics Services	10/3/19	\$17.5	0.2 x	5.6 x	Consulting, planning and designing of data centers and multi-cloud environments as well as cabling and wireless solutions.
BC Partners	Presidio	Distributors & Logistics Services	8/14/19	\$2,312.6	0.8 x	10.5 x	Digital infrastructure solutions that enable clients to deploy IT infrastructure for networking, collaboration and enterprise mobility.
VINCI Energies	Eltel (Polish Communications Business)	Telecom Engineering and Construction	8/6/19	\$14.2	0.6 x	NA	Maintenance, upgrade and project work for telecom operators and other communications network owners in Poland.
Insight Enterprises	PCM	Distributors & Logistics Services	6/24/19	\$618.7	0.3 x	10.9 x	Multi-vendor provider of technology products and solutions in the United States and Europe.
Yarix	Gencom	Distributors & Logistics Services	5/13/19	\$5.6	0.5 x	NA	Offers collaboration, networking, security and datacenter solutions.
Tech Mahindra	K-Vision	Telecom Engineering and Construction	3/14/19	\$1.5	0.3 x	NA	Provides network integration and engineering services for wireless telecom providers in Japan.
Kyowa Exeo Corporation	DeClout	Distributors & Logistics Services	1/7/19	\$110.4	0.5 x	8.3 x	Supplies components and services to the telecommunication/cellular industry and sells refurbished IT equipment.

Sub Sector Analysis: Distributors and Logistics Services

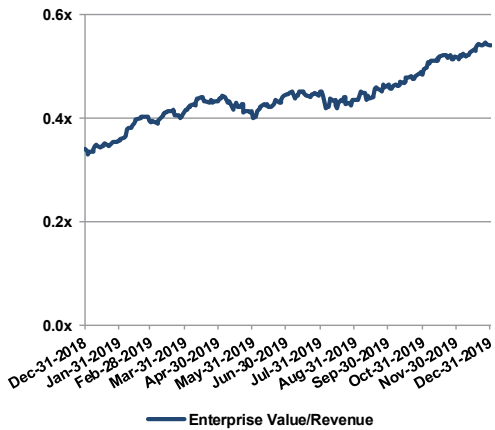
Twelve Month Index Returns



Company Returns

	12 Month	3 Month
Distributors and Logistics Index	71.9%	19.9%
ADDvantage Technologies	71.4%	23.0%
CDW	76.2%	15.9%
ePlus	18.4%	10.8%
Insight	72.5%	26.2%
PC Connection	67.0%	27.7%
Tech Data	75.5%	37.8%
TESSCO	-6.5%	-21.9%

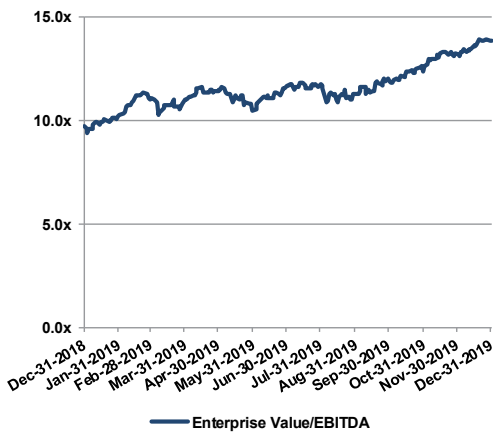
Revenue Multiple Trends



Company Revenue Multiples

	12/31/2019	12/31/2018
Distributors and Logistics Index	0.5x	0.3x
ADDvantage Technologies	0.4x	0.3x
CDW	1.4x	1.0x
ePlus	0.9x	0.8x
Insight	0.5x	0.3x
PC Connection	0.4x	0.3x
Tech Data	0.2x	0.1x
TESSCO	0.3x	0.2x

EBITDA Multiple Trends



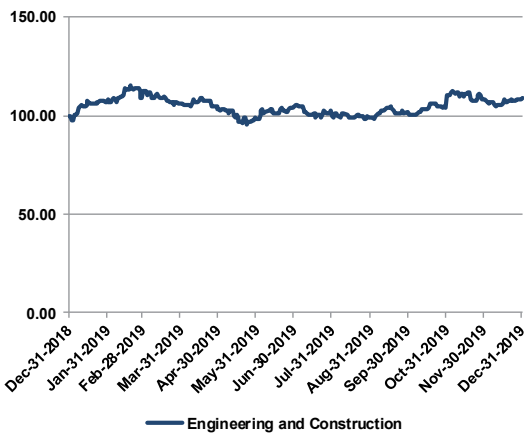
Company EBITDA Multiples

	12/31/2019	12/31/2018
Distributors and Logistics Index	13.8x	9.7x
ADDvantage Technologies	NM	NM
CDW	17.8x	12.4x
ePlus	12.2x	10.5x
Insight	12.2x	6.7x
PC Connection	9.9x	6.9x
Tech Data	7.9x	5.6x
TESSCO	23.8x	10.1x

Source: Capital IQ

Sub Sector Analysis: Engineering and Construction

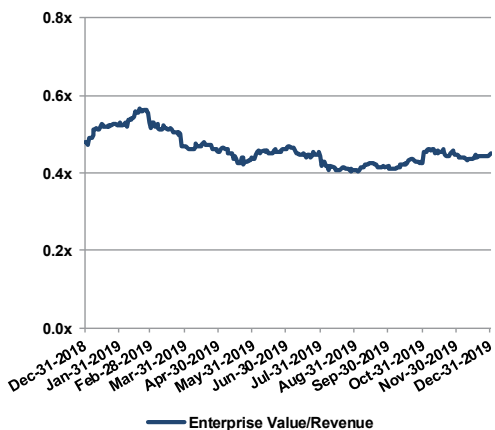
Twelve Month Index Returns



Company Returns

	12 Month	3 Month
Engineering and Construction Index	8.9%	6.7%
Baran Group	5.6%	-4.6%
China Communications Services	-11.9%	28.8%
COMSYS Holdings	18.5%	1.7%
Dycom	-12.7%	-7.6%
Mastec	58.2%	-1.2%
MIRAIT Holdings	3.8%	0.6%
TSS	94.0%	87.4%

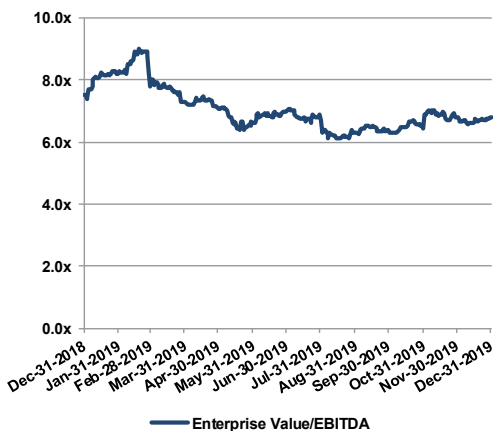
Revenue Multiple Trends



Company Revenue Multiples

	12/31/2019	12/31/2018
Engineering and Construction Index	0.4x	0.5x
Baran Group	0.4x	0.3x
China Communications Services	0.1x	0.2x
COMSYS Holdings	0.7x	0.7x
Dycom	0.8x	0.8x
Mastec	0.9x	0.7x
MIRAIT Holdings	0.4x	0.4x
TSS	1.5x	0.6x

EBITDA Multiple Trends



Company EBITDA Multiples

	12/31/2019	12/31/2018
Engineering and Construction Index	6.8x	7.5x
Baran Group	6.6x	14.9x
China Communications Services	4.4x	7.1x
COMSYS Holdings	8.0x	7.4x
Dycom	8.4x	8.2x
Mastec	7.9x	7.1x
MIRAIT Holdings	5.7x	6.4x
TSS	38.0x	5.9x

Source: Capital IQ

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Rich Pierce has 20 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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David Freeland, a FOCUS Managing Director, 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.

About FOCUS Investment Banking LLC

With more than three decades of experience, FOCUS Investment Banking is a trusted name in M&A advisory services worldwide. FOCUS works to understand each client's strategic and financial objectives, craft the best plan to achieve these goals, and deliver success. Whether helping to sell, buy, or raise capital, FOCUS strives to maximize the value of every transaction to the benefit of its clients. 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 member FINRA/SIPC. For more information on FOCUS, please visit www.focusbankers.com.

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