

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

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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 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) managed a positive return but still underperformed the broader indices. The TBSI gained 1.0% over the past three months, but the S&P 500 and NASDAQ gained 8.5% and 11.0%, respectively, over the same time frame. The TBSI remains in negative territory for the full year period with a drop of 5.7%. Once again this compares unfavorably to strong gains in both the S&P 500 (up 13.0% year-over-year) and the NASDAQ (up 39.6% year-over-year). The sector revenue multiple held steady compared to the year-ago period at 0.6x. However, the sector EBITDA multiple has declined over the past 12 months from 8.5x to 7.4x.

Distributors and Logistics Services

The Distributors and Logistics Services sub sector was once again the stronger performer of the TBSI's two sub sectors with a three-month gain of 3.0%. Winners and losers were split evenly, with three of the six companies in the sub sector sporting gains this period while the remainder were in negative territory. The company with the highest return this period was Insight with a gain of 15.0%, while

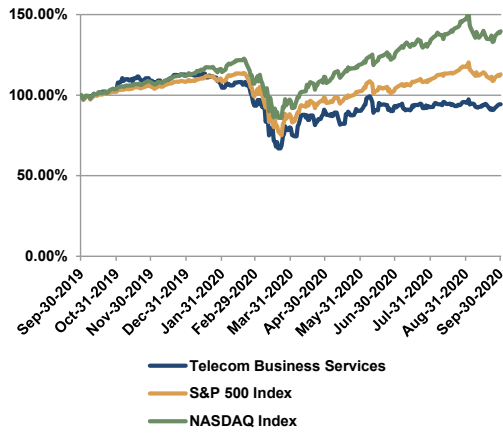
a 44.2% drop at ADDvantage made it the worst performing stock in the sub sector this period. The sub sector is also down 2.6% year-over-year, which includes a more than 60% drop at TESSCO. Part of the reason for the sub sector's decline can be traced to a drop in multiples. The sub sector revenue multiple fell from 0.9x a year ago to 0.8x currently, while the sub sector EBITDA multiple declined from 13.6x to 11.5x over the same time period.

Engineering and Construction

The Engineering and Construction sub sector was actually in negative territory this period with a drop of 1.8% over the past three months. A nearly 30% gain at Dycom was not enough to overcome losses at a number of other companies in the sub sector including China Communications Services (down 5.8%) and Mastec (down 6.0%). The sub sector also closed out the period slightly more than 10% lower than where it was a year ago. Mastec was the main culprit over this time period with a loss of 35.0%. Sub sector multiples are flat to lower than they were a year ago. The sub sector revenue multiple remained constant at 0.4x, but the sub sector EBITDA multiple dropped from 5.1x to 4.3x.

Telecom Business Services: Public Market Summary

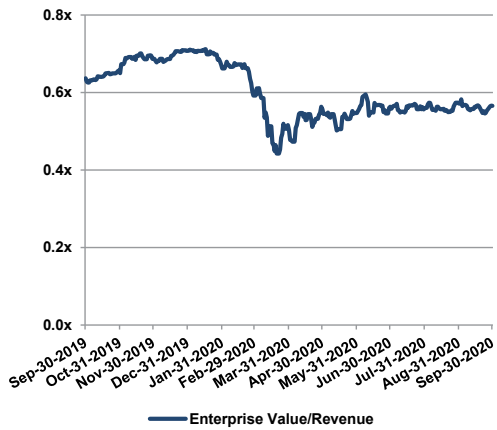
Twelve Month Index Returns



Sector and Sub Sector Returns

	12 Month	3 Month
Telecom Business Services	-5.7%	1.0%
Distributors and Logistics Services	-2.6%	3.0%
Engineering and Construction	-10.2%	-1.8%
S&P 500	13.0%	8.5%
NASDAQ	39.6%	11.0%

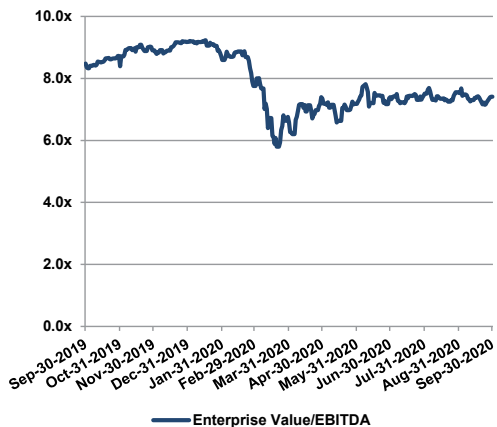
Revenue Multiple Trends



Sector and Sub Sector Revenue Multiples

	9/30/2020	9/30/2019
Telecom Business Services	0.6x	0.6x
Distributors and Logistics Services	0.8x	0.9x
Engineering and Construction	0.4x	0.4x

EBITDA Multiple Trends



Sector and Sub Sector EBITDA Multiples

	9/30/2020	9/30/2019
Telecom Business Services	7.4x	8.5x
Distributors and Logistics Services	11.5x	13.6x
Engineering and Construction	4.3x	5.1x

Source: Capital IQ

M&A Summary Comments

M&A

M&A activity in the Telecom Business Services sector rebounded this period totaling 30 transactions with a total announced transaction dollar volume of just under \$375 million. While this represents a meaningful pickup from our summer report, it is still relatively low by historical standards. Year-to-date M&A activity is also relatively anemic. With 92 transactions through September it appears that the sub sector will struggle to match even the low level of transaction activity that we witnessed in 2019. M&A announced transaction dollar volume is even less impressive at roughly \$410 million year-to-date. Based on the current pace, 2020 may have the dubious distinction of having the lowest announced transaction dollar volume total of any year in recent memory.

Distributors and Logistics Services

The Distributors & Logistics Services sub sector had 17 transactions in the past three months. While this represents an increase from our summer report, the total still remains low by historical standards. In particular, transactions involving value added distributors of technology equipment continue to decline as the market shifts to a less hardware-centric model. Despite this, the sub sector did have the two largest announced dollar volume deals this period with the ComputaCenter acquisition of Pivot Technology Solutions for \$217 million and the Salenia

acquisition of Ework Group for \$151 million. Several large acquirers were also active this period as both Tech Data and Arrow Business Communications inked acquisitions this period. Also of note, Exclusive Networks was the one company this period to strike twice with the purchases of both Veracomp and JJNET. Finally, we noted with interest the fact that Brightstar Capital Partners acquired the Brightstar mobile handset logistics business from former Sprint owner Softbank.

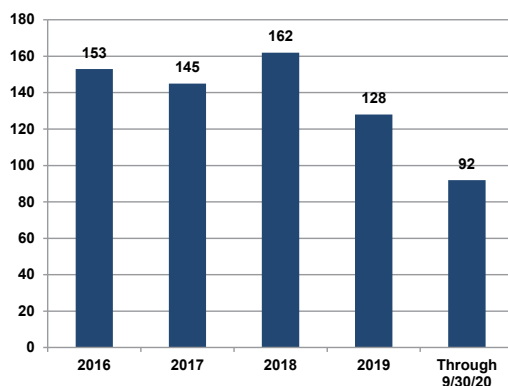
Engineering and Construction

In contrast to the Distributors and Logistics Services sub sector, M&A activity in the Engineering and Construction sub sector continues to hum along at a brisk pace. We counted 13 transactions this period. Congruex continued its acquisitive ways with the acquisition of fiber construction company Southeast Utilities of Georgia. There was also a new platform company in the wireless space as Bow River Capital acquired small cell infrastructure specialist Modus. We also noted the acquisition of engineering company N-Com by John Staurulakis, which marks that company's initial foray into the engineering services market. The U.S. was not the only geography to see M&A activity this period with transactions in Africa, Asia, Canada and Europe. This activity included Nordic-focused Empower Oy,

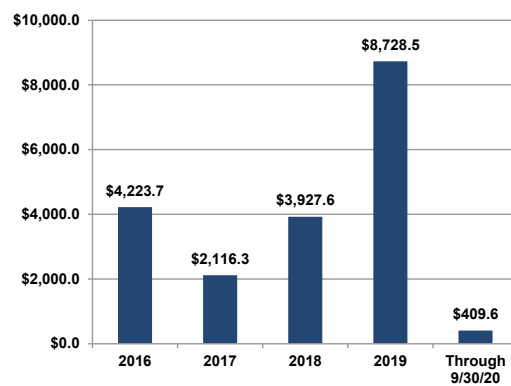
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Telecom Business Services: M&A Summary

M&A Activity: Number of Transactions



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



which transitioned from acquirer to acquiree with its purchase by Enersense.

Transactions with Multiples

The two transactions with announced multiples this period were both in the Distributors and Logistics Services sub sector. The revenue multiples for these transactions were

very different, with the ComputaCenter acquisition of Pivot Technology Solutions going for 0.2x revenue while the Salenia acquisition of Ework Group only went for 0.1x revenue. However, the EBITDA multiples for the two transactions were nearly identical at 10.2x and 10.7x EBITDA, respectively.

M&A Announced Transactions (7/1/20 – 9/30/20)

Acquiror	Target	Sector	Date Announced	Purchase Price	Description
John Staurulakis	N-Com	Telecom Engineering and Construction	9/30/20	NA	Full-service engineering firm serving rural communications, utilities and government agencies.
Brightstar Capital Partners	Softbank (Brightstar Global Group)	Distributors & Logistics Services	9/18/20	NA	Distributes mobile phones and tablets and provides insurance, buy-back and trade-in and supply chain management services.
EASI	Van Helvoirt Automatisering	Distributors & Logistics Services	9/16/20	NA	Offers information and communications technology products and services to small and medium sized enterprises.
Affinitech	National Communications Services	Telecom Engineering and Construction	9/10/20	NA	Provides voice, data, wireless, point of sale, security and structured cabling services.
ComputaCenter	Pivot Technology Solutions	Distributors & Logistics Services	9/9/20	\$216.9	IT solutions and system integration services focused on enterprise storage, security and networking infrastructures.
Exclusive Networks	Veracom	Distributors & Logistics Services	9/7/20	NA	Distributes telecommunications and technology products in Poland and internationally.
Marsk Tech	Talkpool (Uganda Operations)	Telecom Engineering and Construction	9/3/20	NA	Network design and integration services for telecommunications operators, system vendors and prime contractors in Uganda.
Exclusive Networks	JJNET	Distributors & Logistics Services	9/2/20	NA	Value added reseller and distributor for infrastructure, security and communications solutions in Hong Kong and Taiwan.
Focus Universal	Communication Wiring Specialists	Telecom Engineering and Construction	9/2/20	\$5.0	Cabling contractor that provides voice, data, fiber, paging, audio video services, CATV and other low voltage premise cabling.
Bow River Capital	Modus	Telecom Engineering and Construction	9/1/20	NA	Focuses on designing, engineering, constructing, installing and maintaining 5G small cell networks.
Tech Data	Innovix Distribution	Distributors & Logistics Services	9/1/20	NA	Technology distributor serving the Asia Pacific region with products in areas such as cloud and security.
Salenia	Ework Group	Distributors & Logistics Services	8/27/20	\$150.6	Supplier of IT, telecom and technology solutions in Sweden, Finland, Denmark, Poland and Norway.
Acronyms	IT-OK	Distributors & Logistics Services	8/25/20	NA	Server and network equipment as well as user management and support for businesses in Cornwall, United Kingdom.
ConvergeOne	Altivon	Distributors & Logistics Services	8/25/20	NA	Provides premise and cloud contact center solutions as a Genesys partner.
IP Solutions	Corporate Management Telecom	Distributors & Logistics Services	8/24/20	NA	Provides telephony hardware and IT solutions to businesses in Braintree, United Kingdom.
MAS Buddy	Synclayer	Telecom Engineering and Construction	8/19/20	NA	Services for CATV network operators in Japan including system design, engineering and turnkey project construction.
Rejlers	Sitowise	Telecom Engineering and Construction	8/18/20	NA	Mobile networks design, planning and construction contracting services for operators in Sweden, Finland and the Baltic states.
MINATO	Princeton	Distributors & Logistics Services	8/17/20	\$1.2	Distributes digital conferencing systems and related digital communications products and devices.

M&A Announced Transactions (7/1/20 – 9/30/20), continued

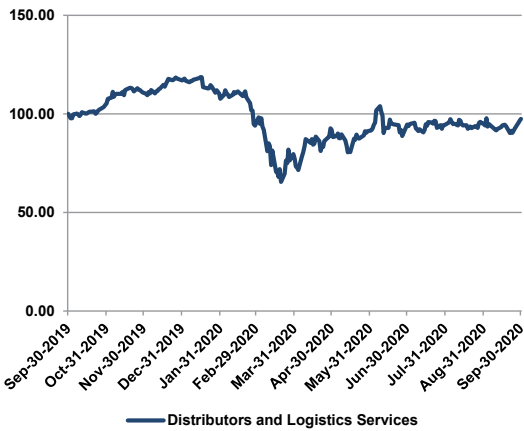
Acquiror	Target	Sector	Date Announced	Purchase Price	Description
OneCom	Glamorgan Telecom	Distributors & Logistics Services	8/13/20	NA	Distributes telephony solutions for businesses in Cardiff, United Kingdom.
Alliant Networks	4G Underground	Telecom Engineering and Construction	8/6/20	NA	Civil engineering company specializing in underground boring, excavation and utility services in California.
Management	ITAD Technologies	Distributors & Logistics Services	7/30/20	NA	Information technology asset disposition, data security and erasure and data center migration services.
Battle Investment Group	Oceus Networks	Telecom Engineering and Construction	7/28/20	NA	Integrator of mobile communications solutions for government and enterprise customers worldwide.
Aecon Group	Powerland (Telecommunications Assets)	Telecom Engineering and Construction	7/23/20	NA	Telecommunications infrastructure integration services for businesses in Canada.
Arrow Business Communications	Altinet	Distributors & Logistics Services	7/20/20	NA	Value added reseller of IT security and storage systems.
Cellnex Telecom	Edzcom	Telecom Engineering and Construction	7/20/20	NA	Designs, builds and operates private wireless network infrastructure for industrial customers.
IMB Partners	Ashburn Consulting	Distributors & Logistics Services	7/14/20	NA	Network engineering and cybersecurity solutions to federal, state and local governments and commercial clients.
Computer Design and Integration	Plan B Technologies	Distributors & Logistics Services	7/7/20	NA	Provides solutions in the areas of storage area networking, security and network infrastructure.
Sabio	Coverage Communication	Distributors & Logistics Services	7/6/20	NA	Contact center integration services from Genesys, Avaya, Oracle and Cisco.
Enersense	Empower Oy	Telecom Engineering and Construction	7/2/20	NA	Builds, installs, maintains and repairs electricity and telecom networks in Finland, Sweden, Norway, Estonia, Latvia and Lithuania.
Congruex	Southeast Utilities of Georgia	Telecom Engineering and Construction	7/1/20	NA	Aerial and underground fiber construction, as well as maintenance and storm recovery services, in the southeastern U.S.

M&A Announced Transactions with Revenue Multiples (10/1/19 – 9/30/20)

Acquiror	Target	Sector	Date Announced	Purchase Price	Revenue Multiple	EBITDA Multiple	Description
CompuCenter	Pivot Technology Solutions	Distributors & Logistics Services	9/9/20	\$216.9	0.2 x	10.2 x	IT solutions and system integration services focused on enterprise storage, security and networking infrastructures.
Salenia	Ework Group	Distributors & Logistics Services	8/27/20	\$150.6	0.1 x	10.7 x	Supplier of IT, telecom and technology solutions in Sweden, Finland, Denmark, Poland and Norway.
WILLTEC	Thousandplan	Distributors & Logistics Services	6/17/20	\$5.1	1.0 x	NA	Engages in the purchase and sale of used office phones and other office automation equipment.
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.

Sub Sector Analysis: Distributors and Logistics Services

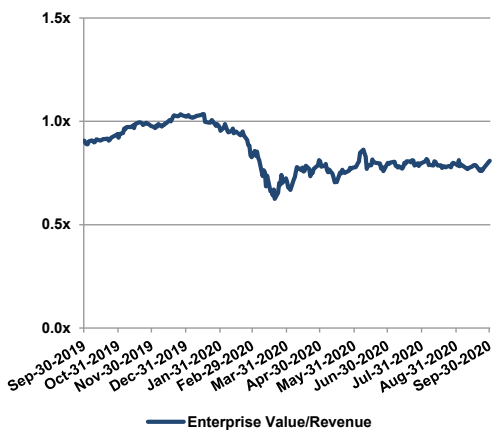
Twelve Month Index Returns



Company Returns

	12 Month	3 Month
Distributors and Logistics Index	-2.6%	3.0%
ADDvantage Technologies	-4.0%	-44.2%
CDW	-3.0%	2.9%
ePlus	-3.8%	3.6%
Insight	1.6%	15.0%
PC Connection	5.6%	-11.4%
TESSCO	-62.6%	-2.4%

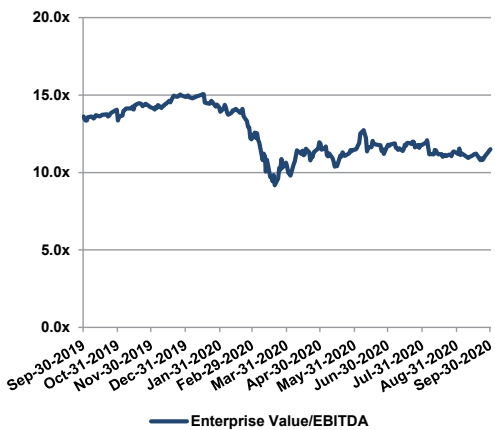
Revenue Multiple Trends



Company Revenue Multiples

	9/30/2020	9/30/2019
Distributors and Logistics Index	0.8x	0.9x
ADDvantage Technologies	0.5x	0.3x
CDW	1.1x	1.2x
ePlus	0.7x	0.8x
Insight	0.3x	0.3x
PC Connection	0.3x	0.3x
TESSCO	0.2x	0.3x

EBITDA Multiple Trends



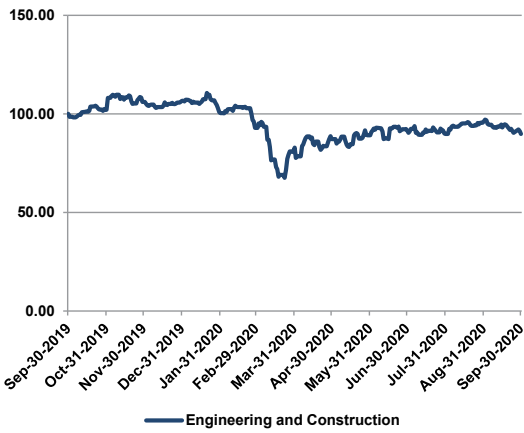
Company EBITDA Multiples

	9/30/2020	9/30/2019
Distributors and Logistics Index	11.5x	13.6x
ADDvantage Technologies	NM	NM
CDW	13.9x	15.9x
ePlus	9.5x	11.3x
Insight	8.1x	7.9x
PC Connection	8.6x	7.8x
TESSCO	NM	24.1x

Source: Capital IQ

Sub Sector Analysis: Engineering and Construction

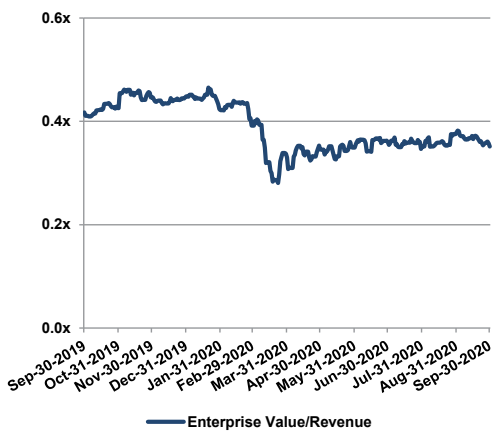
Twelve Month Index Returns



Company Returns

	12 Month	3 Month
Engineering and Construction Index	-10.2%	-1.8%
Baran Group	23.3%	49.6%
China Communications Services	3.5%	-5.8%
COMSYS Holdings	-2.2%	-6.3%
Dycom	3.5%	29.2%
Mastec	-35.0%	-6.0%
MIRAIT Holdings	1.2%	2.2%
TSS	-19.1%	-16.3%

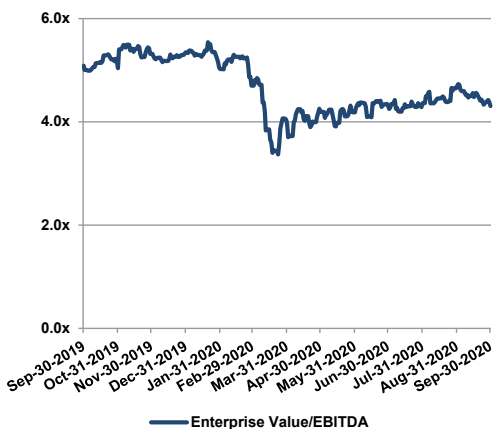
Revenue Multiple Trends



Company Revenue Multiples

	9/30/2020	9/30/2019
Engineering and Construction Index	0.4x	0.4x
Baran Group	0.5x	0.3x
China Communications Services	0.1x	0.1x
COMSYS Holdings	0.6x	0.7x
Dycom	0.7x	0.8x
Mastec	0.7x	0.9x
MIRAIT Holdings	0.3x	0.3x
TSS	0.2x	0.6x

EBITDA Multiple Trends



Company EBITDA Multiples

	9/30/2020	9/30/2019
Engineering and Construction Index	4.3x	5.1x
Baran Group	11.8x	7.2x
China Communications Services	2.7x	2.4x
COMSYS Holdings	6.7x	7.6x
Dycom	7.8x	8.3x
Mastec	6.4x	8.0x
MIRAIT Holdings	4.9x	4.9x
TSS	NM	8.6x

Source: Capital IQ

FOCUS Telecom Technology and Services Team



Richard H. Pierce

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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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