

# 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 2021**

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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 third straight reporting period the FOCUS Telecom Business Services Index (TBSI) managed a positive return, outperforming the S&P 500 and only slightly underperforming the NASDAQ. The TBSI gained 14.3% over the past three months, while the S&P 500 and NASDAQ gained 11.7% and 15.4%, respectively, over the same time frame. The TBSI remains in negative territory for the full year period with a drop of 4.2%. This compares unfavorably to strong gains in both the S&P 500 (up 16.3% year-over-year) and the NASDAQ (up 43.6% year-over-year). Sector multiples are also lower than they were at this time last year. The sector revenue multiple fell from 0.7x a year ago to 0.6x, while the sector EBITDA multiple declined from 9.2x to 8.4x.

## Distributors and Logistics Services

The Distributors and Logistics Services sub sector had another period with a positive return, posting a strong 13.3% gain. Each of the six companies in the index showed gains in the past three months, including Insight (up 34.5%), ePlus (up 20.2%), and CDW (up 10.3%).

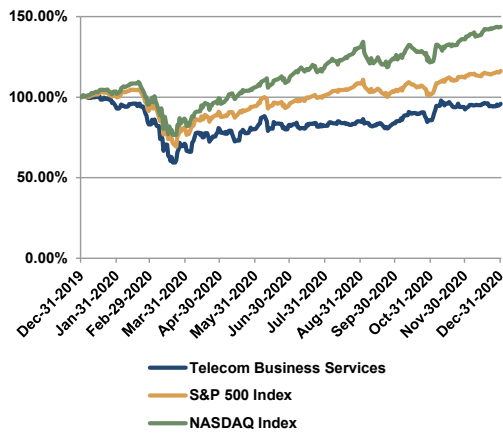
The sub sector is down 5.6% year-over-year, which includes a 44.4% drop at TESSCO and a 7.7% drop at CDW, the largest constituent of the Distributors and Logistics Services sub sector. Sub sector multiples closed out the period at 0.9x revenue and 12.6x EBITDA. Both of these are lower than multiples from the year-ago period of 1.0x revenue and 14.9x EBITDA.

## Engineering and Construction

The Engineering and Construction sub sector was the stronger of the TBSI's two sub sectors this period with a return of 15.9% over the past three months. Leading the charge were U.S. companies Dycom (up 43.0%) and Mastec (up 61.6%). The sub sector also closed out the period 1.8% lower than at this same time last year, essentially erasing the losses sustained at the onset of the pandemic. China Communications Services (down 39.5%) was the main reason for the negative trailing-twelve-months return. 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 fell from 5.3x to 5.1x.

# Telecom Business Services: Public Market Summary

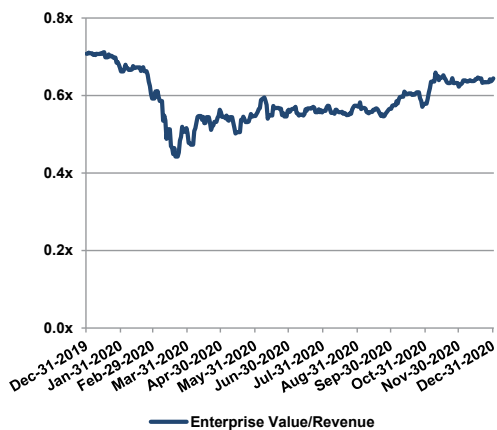
## Twelve Month Index Returns



## Sector and Sub Sector Returns

	12 Month	3 Month
Telecom Business Services	-4.2%	14.3%
Distributors and Logistics Services	-5.6%	13.3%
Engineering and Construction	-1.8%	15.9%
S&P 500	16.3%	11.7%
NASDAQ	43.6%	15.4%

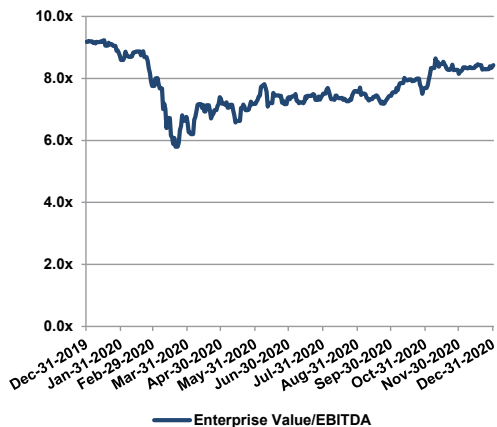
## Revenue Multiple Trends



## Sector and Sub Sector Revenue Multiples

	12/31/2020	12/31/2019
Telecom Business Services	0.6x	0.7x
Distributors and Logistics Services	0.9x	1.0x
Engineering and Construction	0.4x	0.4x

## EBITDA Multiple Trends



## Sector and Sub Sector EBITDA Multiples

	12/31/2020	12/31/2019
Telecom Business Services	8.4x	9.2x
Distributors and Logistics Services	12.6x	14.9x
Engineering and Construction	5.1x	5.3x

Source: Capital IQ

# M&A Summary Comments

## M&A

M&A activity in the Telecom Business Services sector continued its rebound this period with 43 transactions for a total announced transaction dollar volume of just under \$7.9 billion. This number of transactions exceeds the historically poor performance of fall 2020. 2020 M&A activity was also relatively modest with 138 transactions, up from 2019's low but still down from the average of 153 annual transactions from 2016 to 2019. M&A announced transaction dollar volume was more impressive at \$8.3 billion for all of 2020. Interestingly, 2020 had the second lowest amount of transactions of the past five years, yet the second greatest announced transaction dollar volume over that same time frame.

## Distributors and Logistics Services

The Distributors and Logistics Services sub sector had 28 transactions in the past three months. While this represents an increase from our fall report, the total still remains low by historical standards. Despite this, the sub sector did have the transaction with the largest announced dollar volume both for this year and for all of 2020. This was private equity firm Platinum Equity's leveraged buyout of Ingram Micro for \$7.2 billion. Following this transaction, Ingram Micro acquired Colombian val-

ue-added distributor Canal Digital. Several other private equity-backed acquirers were also active this period as Oval Partners-backed New Charter Technologies, H.I.G. Capital-backed Trace3, and RunTide Capital-backed Axis-point Technology Solutions Group completed acquisitions this period. Also, of note, Exclusive Networks completed its third acquisition of the last six months with the purchase of UK-based Nuaware.

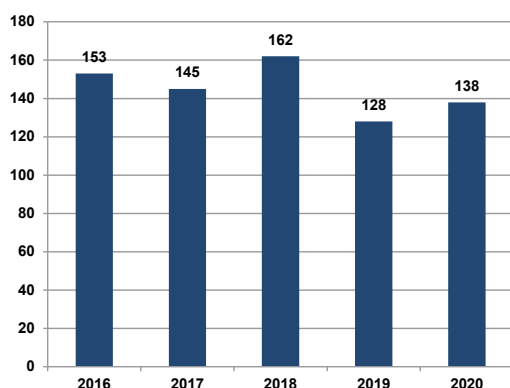
## Engineering and Construction

M&A activity in the Engineering and Construction sub sector maintained similar activity to last quarter with 15 transactions in the past three months. Most notably, Primoris acquired Future Infrastructure Holdings for \$620 million. Congruex continued its streak of purchases with the acquisitions of True North Management Services and the Gudenkauf Corporation. These were the eighth and ninth acquisitions, respectively, since equity sponsor Crestview Partners made its initial investment in Congruex in 2017. UK-based Solutions 30 notched two transactions this quarter with its acquisition of wireless services maintenance company Comvergent Holdings and a 60% stake in Italian radio services provider Algor. Consulting giant Accenture bolstered its 5G presence in the Iberian Peninsula by acquiring Spanish provider Arca Telecom.

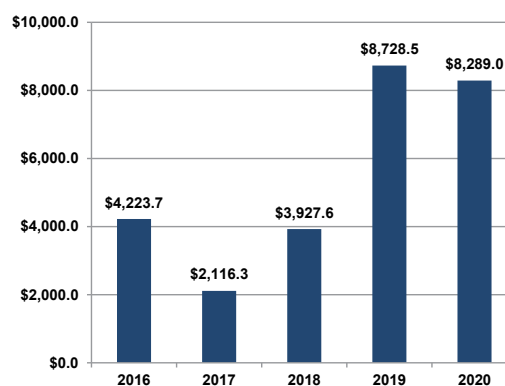
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## Telecom Business Services: M&A Summary

M&A Activity: Number of Transactions



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



## Transactions with Multiples

There were six transactions with announced multiples this period, with five in the Distributors and Logistics Services sub sector and one in Engineering and Construction. The revenue multiples for these transactions varied significantly. The Primoris acquisition of Future Infrastructure Holdings went for 1.8x revenue and 9.4x EBITDA, demonstrating the premium multiples that companies with scale can achieve in the Telecom Engineering and Construction

space. On the other end of the spectrum, the Voice Comm acquisition of the TESSCO Technologies retail business only went for 0.1x revenue. Three of the four remaining transactions in the Distributors and Logistics Services sub sector also had low revenue multiples of either 0.1x or 0.2x revenue. The lone exception was WILLTEC's acquisition of refurbished phone and office equipment vendor Thousandplan. This transaction went for 1.0x revenue.

## M&A Announced Transactions (10/1/20 – 12/30/20)

Acquiror	Target	Sector	Date Announced	Purchase Price	Description
Congruex	Gudenkauf Corporation	Telecom Engineering and Construction	12/22/20	NA	Outside plant construction, fiber optic splicing and testing, utility locating and other services for telecoms and utilities.
Vonex	Nextel	Telecom Engineering and Construction	12/18/20	\$1.1	Structured cabling, equipment installation and maintenance, voice and data networking and Wi-Fi installation.
Axispoint Technology Solutions Group	MTM Technologies	Distributors & Logistics Services	12/17/20	NA	Provides solutions from a variety of IT vendors including Cisco and Citrix.
Primoris	Future Infrastructure Holdings	Telecom Engineering and Construction	12/14/20	\$620.0	Maintenance, repair, upgrade and installation services for the telecommunications and utility industries.
Ingram Micro	Canal Digital	Distributors & Logistics Services	12/11/20	\$7,200.0	Value-added technology distributor based in Colombia for brands such as Hewlett Packard Enterprise, Aruba Networks and Dell-EMC.
KLH Capital	Jackson Infrastructure Services	Telecom Engineering and Construction	12/11/20	NA	Infrastructure services provider to the telecommunications, power, gas, milling and other infrastructure markets.
Full Circle Fiber	MTC Engineering	Telecom Engineering and Construction	12/9/20	NA	Outside plant engineering, civil engineering and construction management for the telecom industry.
Platinum Equity	Ingram Micro	Distributors & Logistics Services	12/9/20	NA	Distributes IT hardware and software and provides supply chain management, technology repair, reverse logistics and other services.
Squan	EleComm	Telecom Engineering and Construction	12/7/20	NA	Underground and overhead high/low voltage electric and communications line construction company in New England.
Service Express	Zensar Technologies	Distributors & Logistics Services	12/4/20	\$15.0	Prevention monitoring, business process outsourcing, server maintenance and support and data center support.
Bridgepointe Technologies	Clover Communications Management	Distributors & Logistics Services	12/3/20	NA	Vendor-agnostic technology advisor across network services, cloud solutions and unified communications.
Solutions 30 Société Anonyme	Comvergent Holdings	Telecom Engineering and Construction	12/2/20	NA	Multi-technical services to roll out and maintain wireless networks in the United Kingdom.
Perwyn Management	Agilias IT Solutions	Distributors & Logistics Services	11/30/20	NA	Server, storage and networking technologies to channel partners in over 60 countries.
Centerline Communications	Datatronics	Distributors & Logistics Services	11/27/20	NA	Systems integrator and value added reseller for telecom operators and service providers.
Exclusive Networks	Onsite	Telecom Engineering and Construction	11/25/20	NA	Provides construction services for wireless telecom operators in the southeastern U.S.
Accenture	Nuaware	Distributors & Logistics Services	11/24/20	NA	Operates as an IT value-added reseller and distributor of cloud-based application security and encryption software.
DB+ B.V.	Arca Telecom	Telecom Engineering and Construction	11/20/20	NA	Provides telecom and network integration services for communications service providers..
Presidio	VenÉCo Automatisering, Telecommunicatie & Beveiliging	Distributors & Logistics Services	11/20/20	NA	ICT solutions for the automation, telecom and security markets.
Medicus IT	Arkphire	Distributors & Logistics Services	11/19/20	NA	IT systems, networks, infrastructure, security, consulting and outsourced procurement services for businesses.
	Clear Choice Telephones	Distributors & Logistics Services	11/16/20	NA	Mobile device telecom integration and unified communications solutions for businesses.

## M&A Announced Transactions (10/1/20 – 12/30/20), continued

Acquiror	Target	Sector	Date Announced	Purchase Price	Description
WELL Health Technologies	Source 44 Consulting	Distributors & Logistics Services	11/13/20	\$12.0	Cyber security products and services and network and security related products and solutions for businesses.
Park Place Technologies	Curvature	Distributors & Logistics Services	11/11/20	NA	Provides VAR and related IT maintenance and support including third-party IT maintenance, cloud advisory and migration services.
Gencom	Weelgo	Distributors & Logistics Services	11/10/20	NA	Networking and Wi-Fi, security monitoring and control, video surveillance and voice and communication solutions.
Solutions 30 Société Anonyme	Algor	Telecom Engineering and Construction	11/10/20	NA	Designs, constructs, and installs radio links, antenna systems and structural systems for the telecommunication industry in Italy.
Trace3	Groupware Technology	Distributors & Logistics Services	11/10/20	NA	Provides IT and datacenter systems integration, consulting and first call support services for enterprises.
Gcom Software	20/20 Teknology	Distributors & Logistics Services	11/9/20	NA	Network infrastructure assessment and design in areas including security and unified communications.
MOTIVE	AWS Communications	Telecom Engineering and Construction	11/6/20	NA	Inside and outside plant communications infrastructure installation, maintenance, upgrades, network assessments and CAD services.
Congruex	True North Management Services	Telecom Engineering and Construction	11/3/20	NA	Telecom and network integration services including tower site construction and maintenance, equipment installation and repairs.
Buddynet	Tranten Engineering	Telecom Engineering and Construction	10/30/20	NA	Wireless base station construction work for communication carriers in Japan.
Voice Comm	TESSCO Technologies (Retail Business)	Distributors & Logistics Services	10/29/20	\$12.0	Distributes wireless and networking products to businesses through retailers and online stores.
Assurant	HYLA Mobile	Distributors & Logistics Services	10/28/20	NA	Provides mobile device trade-in and product lifecycle management SaaS and services for mobile operators.
Avtex	Aria Solutions	Distributors & Logistics Services	10/26/20	NA	Provides contact center software applications using the Genesys customer interaction management platform.
Proact IT Group	Cetus Solutions	Distributors & Logistics Services	10/23/20	\$10.1	Network infrastructure solutions company offering solutions from vendors such as Citrix, VMware and Trend Micro.
Accscient	Mission Critical Systems	Distributors & Logistics Services	10/20/20	NA	Information technology security reseller and integrator focused on security solutions.
Elanders	Azalea Global IT	Distributors & Logistics Services	10/19/20	NA	Value added reseller of new and used IT equipment for businesses and consumers in Asia and Europe.
Bravida Holding	Svagströmsinstallationer i Norrköping	Telecom Engineering and Construction	10/14/20	NA	Installation of fiber optic and cable TV networks, security and surveillance systems and audio/video equipment.
Management	ATHENA Global Services	Distributors & Logistics Services	10/14/20	NA	Distributes security software products.
Connectivity Point Design & Installation	Danetech	Telecom Engineering and Construction	10/6/20	NA	Installation and integration of low voltage cabling infrastructure, security systems and audio/video equipment.
New Charter Technologies	Olmec Systems	Distributors & Logistics Services	10/6/20	NA	Network design and installation of cloud-based phone systems and cybersecurity solutions for businesses in New Jersey.
Sabio	Anana	Distributors & Logistics Services	10/6/20	NA	Genesys-focused customer experience systems integration and consulting services for businesses in the UK and South Africa.
GCC Group	Ivocom	Distributors & Logistics Services	10/5/20	NA	Unified communications and collaboration solutions including voice, video, CCTV and security, and connectivity solutions.
TeamLogic	Convergent Technologies	Distributors & Logistics Services	10/2/20	NA	Offers security solutions as well as VoIP and Avaya products.
Converge Technology Solutions	Unique Digital	Distributors & Logistics Services	10/1/20	\$9.3	Systems integrator providing solutions for networked storage and servers.

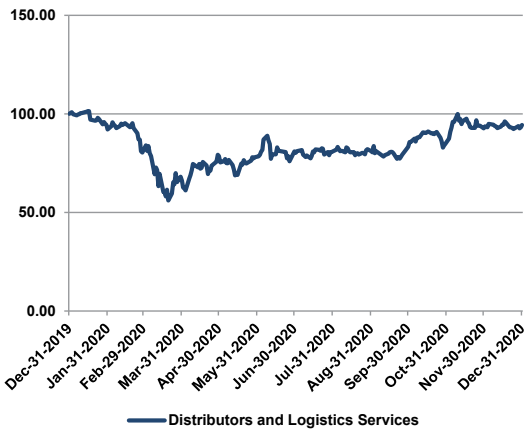
## M&A Announced Transactions with Revenue Multiples (1/1/20 – 12/31/20)

Acquiror	Target	Sector	Date Announced	Purchase Price	Revenue Multiple	EBITDA Multiple	Description
Primoris	Future Infrastructure Holdings	Telecom Engineering and Construction	12/14/20	\$620.0	1.8 x	9.4 x	Maintenance, repair, upgrade and installation services for the telecommunications and utility industries.
Ingram Micro	Canal Digital	Distributors & Logistics Services	12/11/20	\$7,200.0	0.2 x	6.9 x	Value-added technology distributor based in Colombia for brands such as Hewlett Packard Enterprise, Aruba Networks and Dell-EMC.
Service Express	Zensar Technologies	Distributors & Logistics Services	12/4/20	\$15.0	0.3 x	NA	Prevention monitoring, business process outsourcing, server maintenance and support and data center support.
WELL Health Technologies	Source 44 Consulting	Distributors & Logistics Services	11/13/20	\$12.0	0.8 x	7.9 x	Cyber security products and services and network and security related products and solutions for businesses.
Voice Comm	TESSCO Technologies (Retail Business)	Distributors & Logistics Services	10/29/20	\$12.0	0.1 x	NA	Distributes wireless and networking products to businesses through retailers and online stores.
Converge Technology Solutions	Unique Digital	Distributors & Logistics Services	10/1/20	\$9.3	0.2 x	NA	Systems integrator providing solutions for networked storage and servers.
ComputaCenter	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.



# Sub Sector Analysis: Distributors and Logistics Services

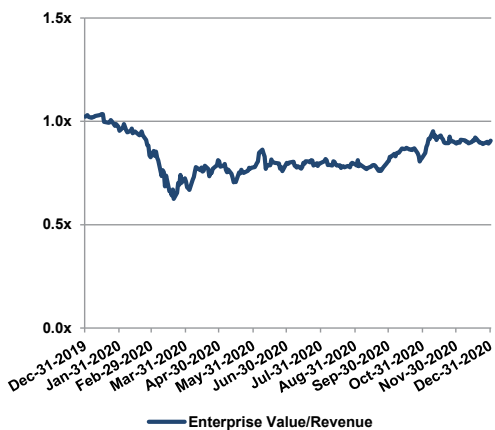
## Twelve Month Index Returns



## Company Returns

	12 Month	3 Month
Distributors and Logistics Index	-5.6%	13.3%
ADDvantage Technologies	21.5%	55.7%
CDW	-7.7%	10.3%
ePlus	4.3%	20.2%
Insight	8.3%	34.5%
PC Connection	-4.8%	15.2%
TESSCO	-44.4%	16.2%

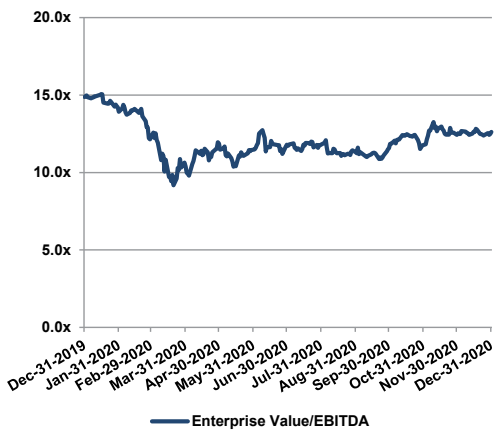
## Revenue Multiple Trends



## Company Revenue Multiples

	12/31/2020	12/31/2019
Distributors and Logistics Index	0.9x	1.0x
ADDvantage Technologies	0.8x	0.4x
CDW	1.2x	1.3x
ePlus	0.8x	0.8x
Insight	0.4x	0.4x
PC Connection	0.4x	0.4x
TESSCO	0.2x	0.3x

## EBITDA Multiple Trends



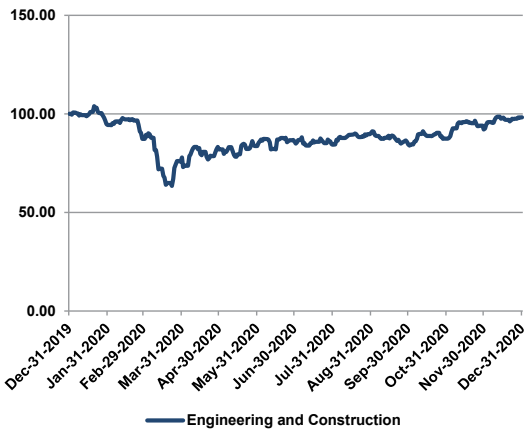
## Company EBITDA Multiples

	12/31/2020	12/31/2019
Distributors and Logistics Index	12.6x	14.9x
ADDvantage Technologies	NM	NM
CDW	14.3x	17.3x
ePlus	11.0x	11.4x
Insight	9.8x	11.4x
PC Connection	11.9x	9.7x
TESSCO	NM	NM

Source: Capital IQ

# Sub Sector Analysis: Engineering and Construction

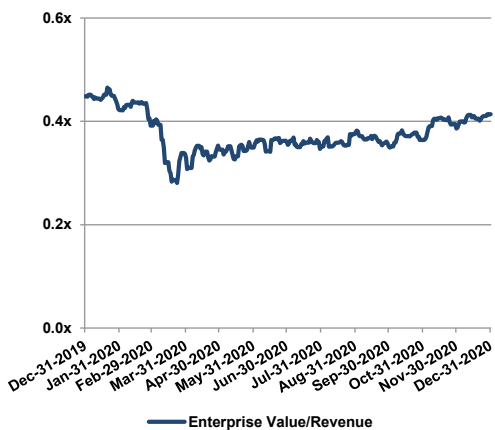
## Twelve Month Index Returns



## Company Returns

	12 Month	3 Month
Engineering and Construction Index	-1.8%	15.9%
Baran Group	63.0%	28.2%
China Communications Services	-39.5%	-24.7%
COMSYS Holdings	0.0%	12.0%
Dycom	60.2%	43.0%
Mastec	6.3%	61.6%
MIRAIT Holdings	0.0%	12.3%
TSS	-56.4%	0.9%

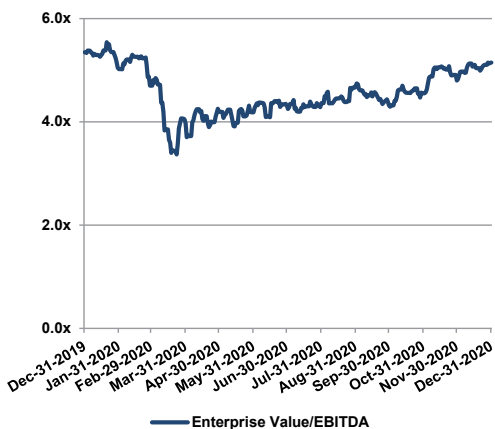
## Revenue Multiple Trends



## Company Revenue Multiples

	12/31/2020	12/31/2019
Engineering and Construction Index	0.4x	0.4x
Baran Group	0.6x	0.4x
China Communications Services	0.0x	0.1x
COMSYS Holdings	0.7x	0.7x
Dycom	0.9x	0.8x
Mastec	1.0x	0.9x
MIRAIT Holdings	0.4x	0.4x
TSS	0.1x	0.8x

## EBITDA Multiple Trends



## Company EBITDA Multiples

	12/31/2020	12/31/2019
Engineering and Construction Index	5.1x	5.3x
Baran Group	10.8x	9.4x
China Communications Services	0.6x	4.5x
COMSYS Holdings	7.6x	8.0x
Dycom	10.1x	7.9x
Mastec	9.0x	7.8x
MIRAIT Holdings	5.5x	5.7x
TSS	10.7x	31.1x

Source: Capital IQ

# FOCUS Telecom Technology and Services Team

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## **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.



## **David Freeland**

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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.

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## 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](http://www.focusbankers.com).

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Investment Banking

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