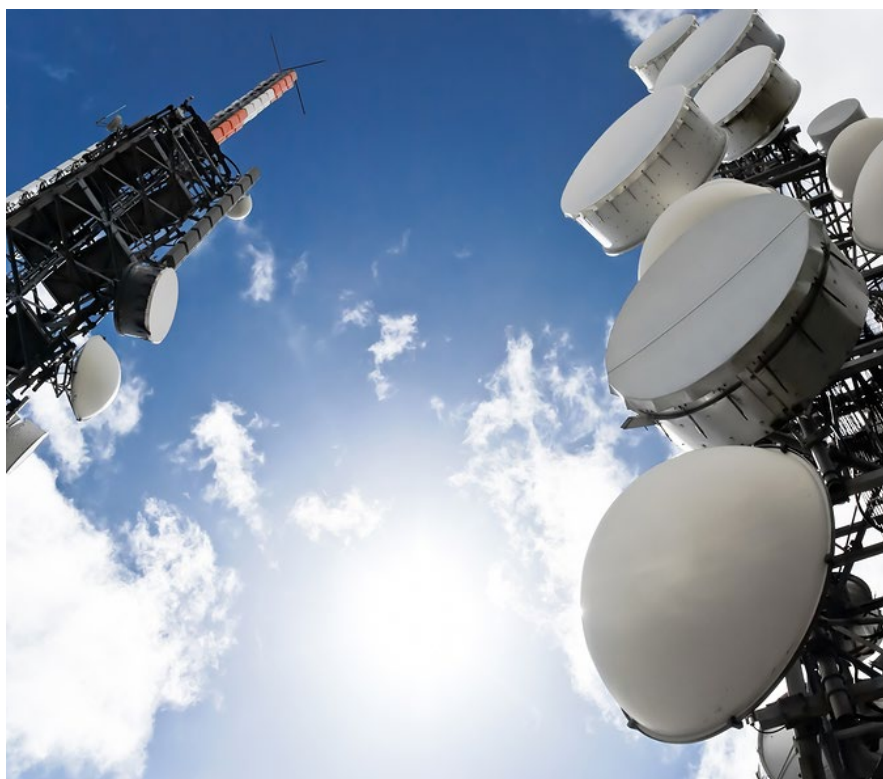


# FOCUS

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

The FOCUS Telecom Business Services Index (TBSI) had a fourth straight reporting period with a positive return, marking a full year of positive returns since the outbreak of the pandemic. This past three months was particularly strong as the sector's gain of 20.1% handily outperformed both the 5.8% gain in the S&P 500 and the 2.8% gain in the NASDAQ. For the full year, the TBSI is up a very impressive 63.0%. While this gain was good enough to give it a comfortable lead over the 53.7% year-over-year increase in the S&P 500, it still lagged the 72.0% gain in the NASDAQ. Sub sector multiples are also meaningfully higher than they were at this time last year. The sub sector revenue multiple jumped from 0.5x to 0.7x, while the EBITDA multiple spiked from 6.6x to 9.3x.

## Distributors and Logistics Services

The Distributors and Logistics Services sub sector was the stronger of the TBSI's two sub-sectors this period with a three-month gain of 23.6%. Both CDW and Insight saw increases of slightly more than 25%, while ePlus also had a strong performance as it was up 13.3%. The sub sector's performance over the past twelve months is equally

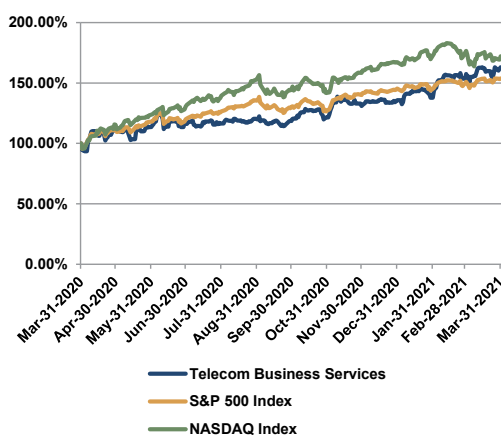
strong with a gain of 76.7%. Every stock in the sub sector enjoyed a double digit increase over this time frame, including a 126.5% increase at Insight and a 77.7% increase at CDW. Sub sector multiples closed out the period at 1.1x revenue and 14.7x EBITDA. Both of these represent significant increases from year-ago multiples of 0.7x revenue and 10.4x EBITDA.

## Engineering and Construction

The Engineering and Construction sub sector continued to rebound from its year-ago lows with a three-month uptick of 14.8%. U.S.-based companies Dycom and MasTec were two of the strongest performers with gains of 22.9% and 37.4%, respectively. Of the international companies, Baran Group had a particularly strong performance with an increase of 25.9%. The situation is similar for the full year period. The sub sector is up 45.3% over this time period, with Baran Group, Dycom and MasTec once again leading the charge. Sub sector multiples continue to climb and ended the period at 0.4x revenue (up from 0.3x a year ago) and 5.3x EBITDA (up from 4.0x a year ago). Despite these increases, sub sector multiples still remain relatively low compared to historical standards.

# Telecom Business Services: Public Market Summary

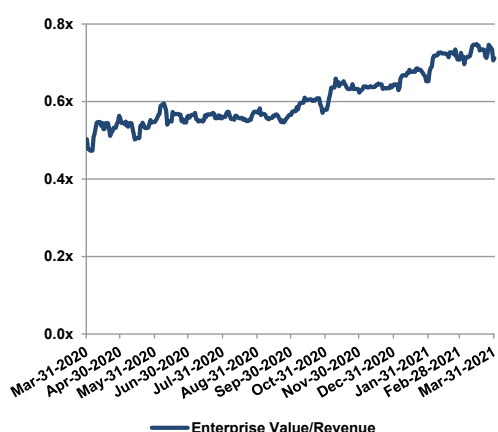
## Twelve Month Index Returns



## Sector and Sub Sector Returns

	12 Month	3 Month
Telecom Business Services	63.0%	20.1%
Distributors and Logistics Services	76.7%	23.6%
Engineering and Construction	45.3%	14.8%
S&P 500	53.7%	5.8%
NASDAQ	72.0%	2.8%

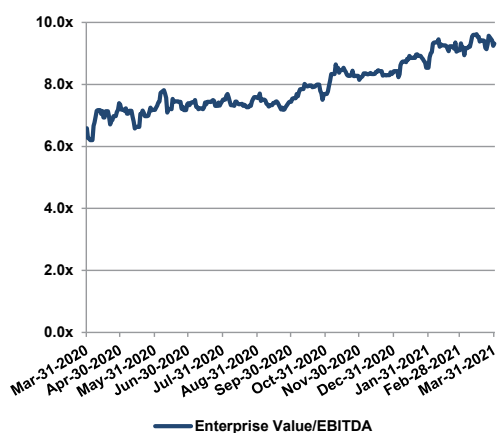
## Revenue Multiple Trends



## Sector and Sub Sector Revenue Multiples

	3/31/2021	3/31/2020
Telecom Business Services	0.7x	0.5x
Distributors and Logistics Services	1.1x	0.7x
Engineering and Construction	0.4x	0.3x

## EBITDA Multiple Trends



## Sector and Sub Sector EBITDA Multiples

	3/31/2021	3/31/2020
Telecom Business Services	9.3x	6.6x
Distributors and Logistics Services	14.7x	10.4x
Engineering and Construction	5.3x	4.0x

Source: Capital IQ

# M&A Summary Comments

## M&A

The number of M&A transactions in the Telecom Business Services sector was relatively light in the first three months of the year with only 30 total transactions. This is slightly below the typical average of around 35 deals that we have seen over the past several years. However, with more than \$7.5 billion in total announced transaction dollar volume, the year is off to an extremely strong start based on this metric. Even with only a modest level of M&A activity for the remainder of the year, the sector should be able to surpass 2019 as the year with the largest amount of announced transaction dollar volume over the past five years.

## Distributors and Logistics Services

The Distributors and Logistics Services sub sector had 20 transactions in the past three months, which is down from what we saw in our winter report and also low by historical standards. However, the sub sector was still able to boast this period's mega transaction. This was the acquisition of Tech Data by Synnex for \$7.2 billion. We also noted that Converge Technology Solutions continued to be active with the acquisitions of both Vicom Computer Services and Accudata. Finally, we also saw a big pickup in transactions involving reverse logistics and maintenance services companies. A number of these centered around acquisitions of third-party data center maintenance services companies,

including two new private equity platform companies with the acquisitions of thomastech by Oak Lane Partners and Salute Mission Critical by LLR Partners. In the refurbished equipment side, private equity firm Rubicon Partners acquired cell phone refurbishing company Bamboo Distribution while strategic acquirer Restore acquired the bookyard, a repair center for various Apple products.

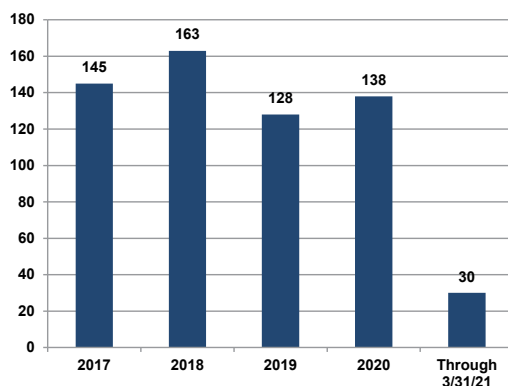
## Engineering and Construction

The Engineering and Construction sub sector also saw a downward trend in activity with ten transactions this period. A number of different types of parties were active. U.S. based private equity-backed companies QualTek and Enertech were both on the board with acquisitions of Fiber Network Solutions and Mountain Wireless, respectively. AFL Telecommunications was also active with its purchase of 5G and small cell specialist Beam Wireless. We also saw electrical and utility construction company Orbital Energy Group expand its presence in the telecom market with its acquisition of Gibson Technical Services. In another transaction in the U.S. market, publicly-traded Spectrum Global Services merged with communications systems installation firm High Wire Networks. Finally, international markets continued to be active with transactions in Germany, The United Kingdom and Italy.

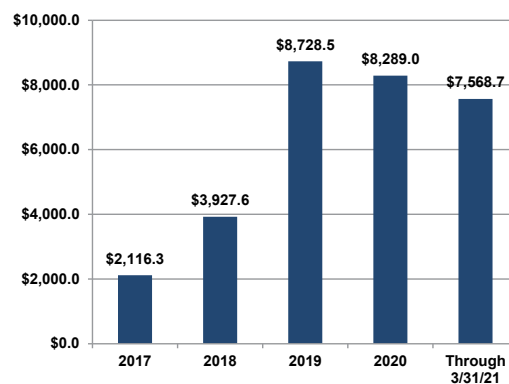
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## Telecom Business Services: M&A Summary

M&A Activity: Number of Transactions



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



## Transactions with Multiples

We had three transactions with announced multiples this period. In the Engineering and Construction space, the Orbital Energy acquisition of Gibson Technical Services clocked in at 1.2x revenue and 8.7x EBITDA. The other two transactions were both in the Distributors and Logis-

tics Services sub sector. The first of these was the Converge Technology Solutions acquisition of Vicom Computer Services for 0.3x revenue and 4.9x EBITDA. The second was the acquisition of Nex Gen Global Resources by Spirit Technology Solutions for 1.1x revenue.

## M&A Announced Transactions (1/1/21 – 3/31/21)

Acquiror	Target	Sector	Date Announced	Purchase Price	Description
DI Deutsche Infrastruktur	TRIOPT	Telecom Engineering and Construction	3/31/21	NA	Consulting, planning and optimization services to radio and fixed network operators in Germany.
Spirit Technology Solutions	NexGen Global Resources	Distributors & Logistics Services	3/31/21	\$30.5	Value-added reseller of business phone systems, printers, copiers, videoconferencing and security equipment in Australia.
Orbital Energy Group	Gibson Technical Services	Telecom Engineering and Construction	3/30/21	\$48.0	Engineering services for broadband, wireless, outside plant and building technologies.
Oak Lane Partners	thomastech	Distributors & Logistics Services	3/26/21	NA	Data center hardware solutions including third party maintenance support services and server and network maintenance services.
PMY Group	Etherlive	Distributors & Logistics Services	3/25/21	NA	Provides Internet, Wi-Fi, telephony, CCTV, network and other IT consulting services in the UK.
Radius Payment Solutions	Frontier Telecom	Distributors & Logistics Services	3/25/21	NA	Technology provider specializing in mobile, connectivity and IT solutions.
Synnex	Tech Data	Distributors & Logistics Services	3/22/21	\$7,200.0	Distributes IT hardware, software and consumer electronics to systems integrators, businesses, governments and consumers.
Bridgepoint Advisers	Infinigate	Distributors & Logistics Services	3/15/21	NA	Distributes information technology security solutions in Europe.
Rubicon Partners	Bamboo Distribution	Distributors & Logistics Services	3/10/21	NA	Distributor specializing in the recovery, refurbishment and recycling of mobile phones and other consumer electronic devices.
Enertech	Mountain Wireless	Telecom Engineering and Construction	3/9/21	NA	Full-service provider to the wireless industry with specialized expertise in small cell and DAS installations.
Restore	thebookyard	Distributors & Logistics Services	3/8/21	NA	Supplier and repair center for Apple products in the UK.
TIG	ThirdSpace	Distributors & Logistics Services	3/5/21	NA	Identity management, enterprise mobility and security and compliance solutions.
CMS Distribution	sysob IT-Distribution	Distributors & Logistics Services	3/4/21	NA	Distributes information technology products including security, wireless networking, storage and traffic management.
TTEC	Avtex Solutions	Distributors & Logistics Services	3/1/21	NA	Microsoft and Genesys-focused unified communications, contact center management and VoIP systems.
ConvergeOne	AAA Network Solutions	Distributors & Logistics Services	3/2/21	NA	Provides equipment and services for the K-12 school sector in California.
Whitaker Construction	Advanced Cable Technology	Telecom Engineering and Construction	2/26/21	NA	Design and engineering, implementation, testing, ongoing maintenance and technology consulting services.
LLR Partners	Salute Mission Critical	Distributors & Logistics Services	2/23/21	NA	IT data center lifecycle services company that helps clients deploy, manage and decommission data center sites.
Ahlsell	Solutioneurolan Europé	Distributors & Logistics Services	2/18/21	NA	Distributes telecommunications and data communication products in Sweden.

## M&A Announced Transactions (1/1/21 – 3/31/21), continued

Acquiror	Target	Sector	Date Announced	Purchase Price	Description
Converge Technology Solutions	Accudata	Distributors & Logistics Services	2/12/21	NA	Provides IT consulting and integration services for partners including Cisco and Microsoft.
Focus Group	South West Communications Group	Distributors & Logistics Services	2/11/21	NA	Business telephone systems as well as equipment from partners including Alcatel-Lucent, Cisco, Microsoft and Mitel.
Rutland Partners	JSM Group	Telecom Engineering and Construction	2/8/21	NA	Digital communications and utilities infrastructure services for businesses in the energy and telecommunication sectors in the UK.
AFL Telecommunications	Beam Wireless	Telecom Engineering and Construction	2/2/21	NA	Distributed antenna systems, 5G, small cell, public safety and private LTE systems and telecom integration services in the U.S.
Management	einsAmobile	Distributors & Logistics Services	2/1/21	NA	Distributes mobile phone products for industrial and trading partners in Germany and internationally.
Service Express	Blue Chip Customer Engineering	Distributors & Logistics Services	2/1/21	NA	Data center hardware maintenance and support with a particular emphasis on IBM mid-range systems.
Mutares	Ericsson (Italian Services Division)	Telecom Engineering and Construction	1/29/21	NA	Provides telecommunication services, including network rollout and onsite maintenance for mobile operators in Italy.
Spectrum Global Solutions	High Wire Networks	Telecom Engineering and Construction	1/28/21	NA	Installation, implementation, networking and life cycle management for manufacturers and resellers of communications equipment.
QualTek	Fiber Network Solutions	Telecom Engineering and Construction	1/27/21	NA	Provides fiber-based telecom integration services for businesses in the renewable energy sector.
Bravida Holding	Fiberkom	Telecom Engineering and Construction	1/25/21	NA	Offers fiber cabling and electrical installation services in Denmark.
Alchemist Capital Partners	Sk Tns	Distributors & Logistics Services	1/8/21	\$265.2	Mobile communications infrastructure solutions, including mobile phone wireless equipment and dedicated wired networks.
Converge Technology Solutions	Vicom Computer Services	Distributors & Logistics Services	1/4/21	\$25.0	Infrastructure solutions that include management, virtualization, unified networks and data protection and availability.

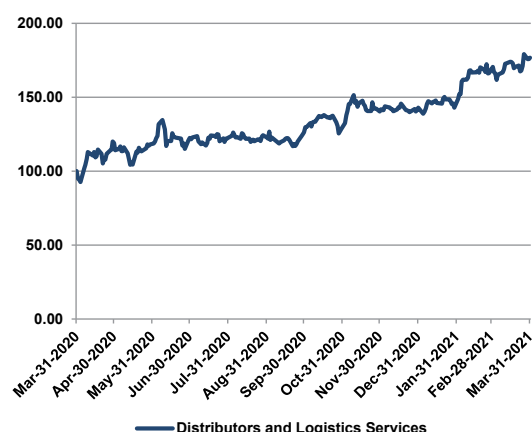
## M&A Announced Transactions with Revenue Multiples (4/1/20 – 3/31/21)

Acquiror	Target	Sector	Date Announced	Purchase Price	Revenue Multiple	EBITDA Multiple	Description
Spirit Technology Solutions	NexGen Global Resources	Distributors & Logistics Services	3/31/21	\$30.5	1.1 x	NA	Value-added reseller of business phone systems, printers, copiers, videoconferencing and security equipment in Australia.
Orbital Energy Group	Gibson Technical Services	Telecom Engineering and Construction	3/30/21	\$48.0	1.2 x	8.7 x	Engineering services for broadband, wireless, outside plant and building technologies.
Converge Technology Solutions	Vicom Computer Services	Distributors & Logistics Services	1/4/21	\$25.0	0.3 x	4.9 x	Infrastructure solutions that include management, virtualization, unified networks and data protection and availability.
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.
Platinum Equity	Ingram Micro	Distributors & Logistics Services	12/9/20	\$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

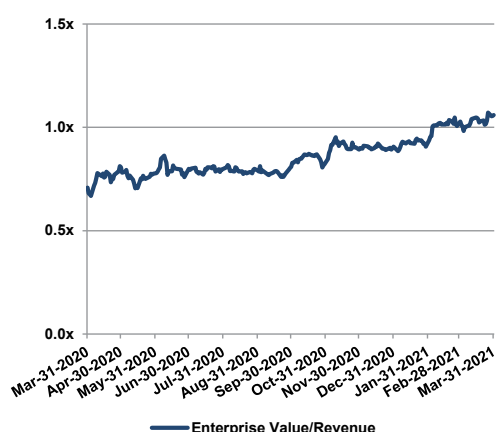
### Twelve Month Index Returns



### Company Returns

	12 Month	3 Month
Distributors and Logistics Index	76.7%	23.6%
ADDvantage Technologies	18.2%	-13.0%
CDW	77.7%	25.8%
ePlus	59.1%	13.3%
Insight	126.5%	25.4%
PC Connection	12.6%	-1.9%
TESSCO	48.1%	16.0%

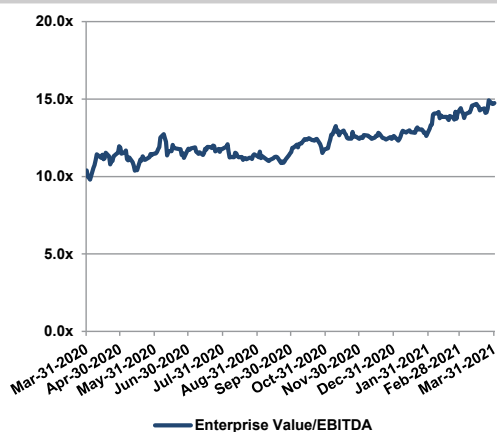
### Revenue Multiple Trends



### Company Revenue Multiples

	3/31/2021	3/31/2020
Distributors and Logistics Index	1.1x	0.7x
ADDvantage Technologies	0.8x	0.5x
CDW	1.4x	0.9x
ePlus	1.0x	0.6x
Insight	0.5x	0.3x
PC Connection	0.4x	0.3x
TESSCO	0.2x	0.2x

### EBITDA Multiple Trends



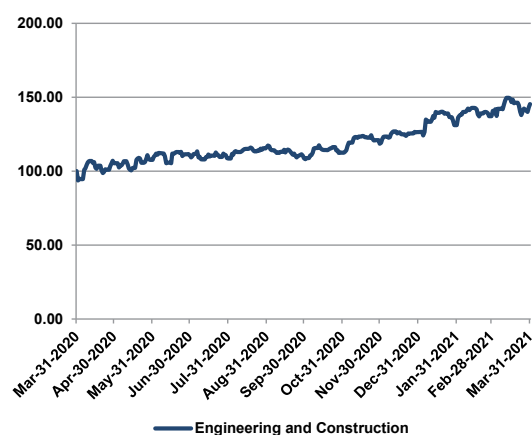
### Company EBITDA Multiples

	3/31/2021	3/31/2020
Distributors and Logistics Index	14.7x	10.4x
ADDvantage Technologies	NM	NM
CDW	16.4x	11.8x
ePlus	12.7x	8.7x
Insight	11.7x	8.2x
PC Connection	13.1x	7.9x
TESSCO	NM	NM

Source: Capital IQ

## Sub Sector Analysis: Engineering and Construction

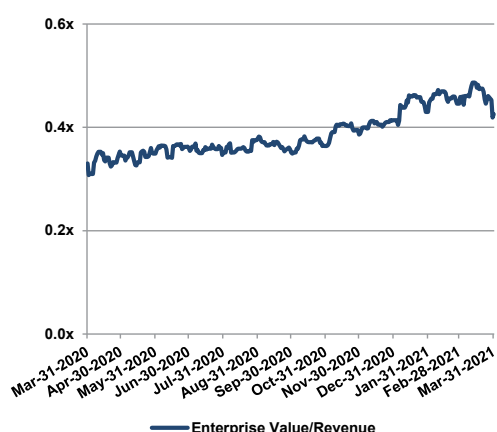
### Twelve Month Index Returns



### Company Returns

	12 Month	3 Month
Engineering and Construction Index	45.3%	14.8%
Baran Group	325.3%	25.9%
China Communications Services	-38.3%	1.8%
COMSYS Holdings	19.2%	-0.6%
Dycom	262.0%	22.9%
Mastec	186.3%	37.4%
MIRAIT Holdings	32.0%	-3.5%
TSS	-38.4%	-11.5%

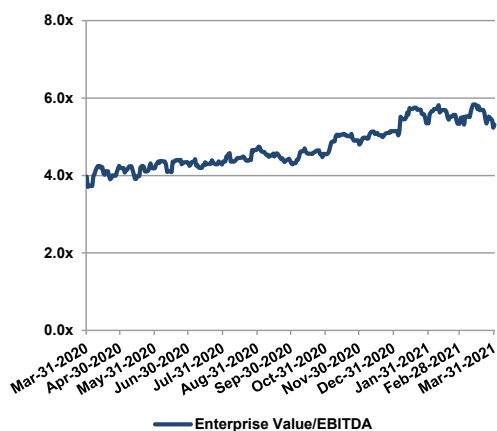
### Revenue Multiple Trends



### Company Revenue Multiples

	3/31/2021	3/31/2020
Engineering and Construction Index	0.4x	0.3x
Baran Group	0.6x	0.4x
China Communications Services	0.0x	0.1x
COMSYS Holdings	0.7x	0.7x
Dycom	1.1x	0.5x
Mastec	1.2x	0.6x
MIRAIT Holdings	0.4x	0.4x
TSS	NM	0.3x

### EBITDA Multiple Trends



### Company EBITDA Multiples

	3/31/2021	3/31/2020
Engineering and Construction Index	5.3x	4.0x
Baran Group	9.0x	13.5x
China Communications Services	NM	3.8x
COMSYS Holdings	7.6x	8.0x
Dycom	11.6x	5.5x
Mastec	10.7x	5.2x
MIRAIT Holdings	5.5x	5.7x
TSS	NM	23.4x

Source: Capital IQ

# FOCUS Telecom Technology and Services Team

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## **Richard H. Pierce**

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Technology and Services Team  
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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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