

# 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

Once again, the FOCUS Telecom Business Services Index (TBSI) climbed higher, gaining 3.5% over the past three months. This marks the fifth straight period with a positive return for the sector. However, the TBSI did lag the broader indices as the S&P 500 was up 8.2% and the NASDAQ was up 9.5% over the same time period. When looked at over the past 12 months, the sector's return compares more favorably to the overall market. The 43.3% year-over-year gain in the TBSI outperforms the 38.6% gain in the S&P 500 and falls just shy of the 44.2% gain in the NASDAQ. Sector multiples are also higher than at this same time last year and closed out the period at 0.7x revenue and 9.6x EBITDA. This compares to year-ago multiples of 0.6x revenue and 7.4x EBITDA.

## Distributors and Logistics Services

The Distributors and Logistics Services sub sector was the better performer of the TBSI's two sub sectors in our summer reporting period with a gain of 4.2%. The sub sector was equally split between winners and losers, but gains at CDW, Insight and ADDvantage were strong enough to pull the sub sector into the black. The sub sector also wins the prize for top performing sub sector over the full year period with a gain of 50.3%. Once again, CDW and

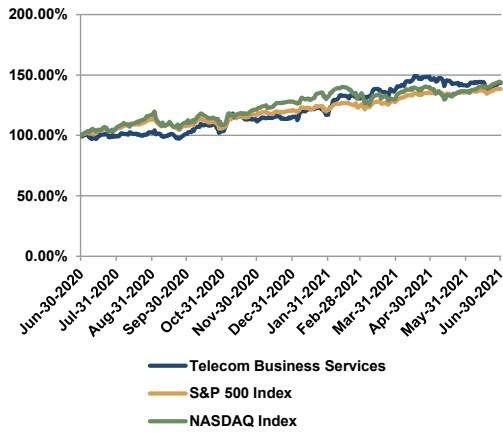
Insight played the biggest roles in the sub sector's positive performance, but ePlus also contributed with a more than 20% gain over the past 12 months. Sub sector multiples also increased over this past year, with the revenue multiple jumping from 0.8x to 1.1x and the EBITDA multiple going from 11.8x to 15.3x

## Engineering and Construction

While the Engineering and Construction sub sector was the laggard of the TBSI this period, it still managed to deliver a positive three month return of 2.3%. Dycom was a significant drag on the index as the company dropped nearly 20% this period, while of the international firms COMSYS dropped 10.1%. Other stocks fared significantly better as MasTec, Baran Group and China Communications Services all boasted double digit gains. The sub sector is also up 33.2% year-over-year, which includes an 82.3% increase at Dycom and a 136.5% increase at MasTec. However, losses at companies like China Communications Services and COMSYS Holdings acted as an anchor on the sub sector. In terms of multiples, the sub sector revenue multiple held steady compared to last year at 0.4x. However, the EBITDA multiple moved up nicely from 4.3x a year ago to 5.3x currently.

# Telecom Business Services: Public Market Summary

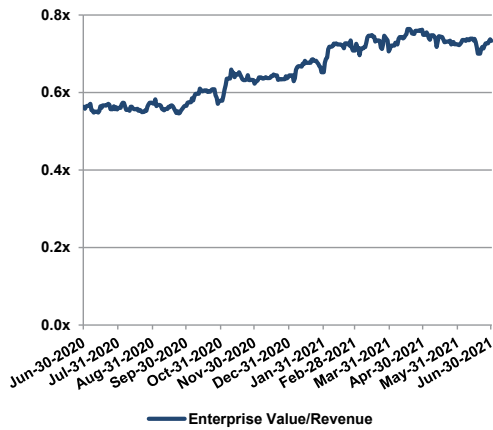
## Twelve Month Index Returns



## Sector and Sub Sector Returns

	12 Month	3 Month
Telecom Business Services	43.3%	3.5%
Distributors and Logistics Services	50.3%	4.2%
Engineering and Construction	33.2%	2.3%
S&P 500	38.6%	8.2%
NASDAQ	44.2%	9.5%

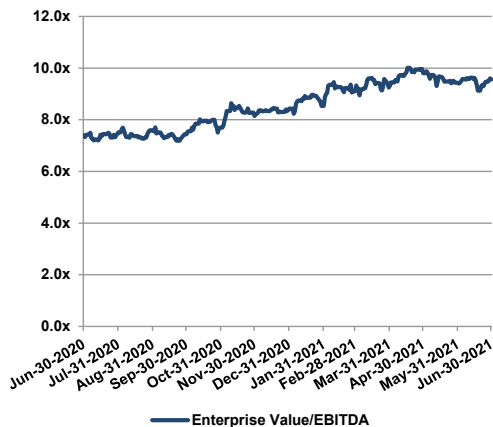
## Revenue Multiple Trends



## Sector and Sub Sector Revenue Multiples

	6/30/2021	6/30/2020
Telecom Business Services	0.7x	0.6x
Distributors and Logistics Services	1.1x	0.8x
Engineering and Construction	0.4x	0.4x

## EBITDA Multiple Trends



## Sector and Sub Sector EBITDA Multiples

	6/30/2021	6/30/2020
Telecom Business Services	9.6x	7.4x
Distributors and Logistics Services	15.3x	11.8x
Engineering and Construction	5.3x	4.3x

Source: Capital IQ

# M&A Summary Comments

## M&A

M&A activity in the Telecom Business Services sector picked up this past three months with a total of 35 transactions for the period. This total is consistent with historical norms. However, while the number of deals was on the upswing, total announced transaction dollar volume took a nose dive with only a shade over \$500 million for the period. With half of the year now behind us, the total of 68 transactions thus far this year is very similar to the pace that we saw in both 2019 and 2020. Announced transaction dollar volume still remains relatively high for the year at \$8.1 billion, and the sector continues to be on pace to have its highest amount of announced transaction dollar volume of any year in the last five.

## Distributors and Logistics Services

There were 19 transactions in the Distributors and Logistics Services sub sector, which represents a slight decline from our spring reporting period. Large acquirers such as Arrow and Convergent put points on the board as they acquired UK-tec and Seal Telecom, respectively. We also noted the acquisition of telecom distribution company Carousel Industries by NWN Corporation to create another company in the space with significant scale. Private equity players were also active. Cerberus Capital acquired Red River Technology, while Grain Management acquired wireless construction equipment distributor Network Wireless Solutions. Finally, in the only two transactions in the sub sector with announced transaction dollar volumes, AdEPT

Telecom acquired Datrix for \$22.1 million and Dustin Group acquired Centralpoint Holding for \$505.5 million.

## Engineering and Construction

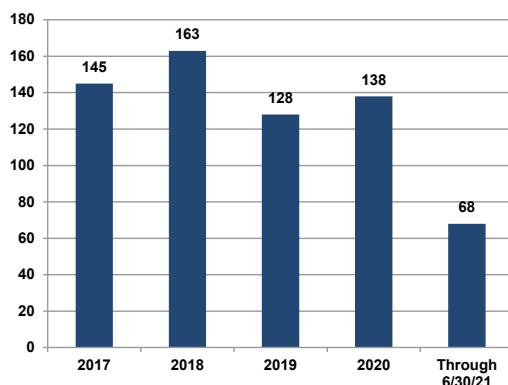
The Engineering and Construction sub sector was extremely active this period with 16 total transactions. 11 of these were in the U.S., while the remaining five were international (Europe). In the U.S. in particular, private equity-backed acquirers continued to drive transaction volume. Borgman Capital-backed Ascendtek announced two transactions this period, while Congruex, Crestone Services, Network Connex and Full Circle Fiber all inked purchases as well. We also saw a new platform emerge with the Ranch Creek Partners purchase of InSite Telecom, while ADB Companies both became a new platform company with an investment by Warren Equity Partners and acquired ETAK Systems. There was also one publicly traded company that was active in the past three months. This was Comfort Systems, which acquired structured cabling design and installation company Amteck for an undisclosed price.

## Transactions with Multiples

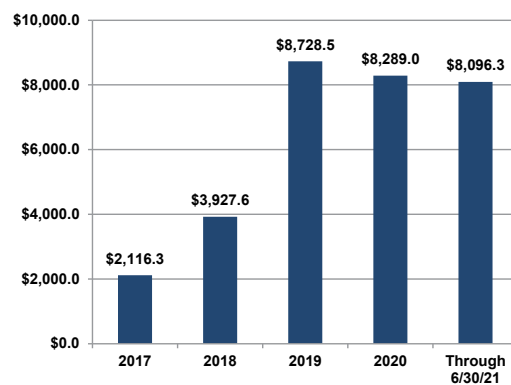
We had two transactions with announced multiples this period, both in the Distributors and Logistics Services sub sector. The AdEPT Telecom acquisition of Datrix went for a high multiple of 1.5x revenue, while the Dustin Group purchase of Centralpoint Holding was done at a more typical revenue multiple for the space of 0.6x. Neither transaction had an announced EBITDA multiple.

## Telecom Business Services: M&A Summary

M&A Activity: Number of Transactions



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



## M&A Announced Transactions (4/1/21 – 6/30/21)

Acquiror	Target	Sector	Date Announced	Purchase Price	Description
Comfort Systems	Amteck	Telecom Engineering and Construction	6/30/21	NA	Engineering, design, installation, testing, certification and trouble-shooting of structured cabling systems.
Congruex	Mabeck and Viking	Telecom Engineering and Construction	6/30/21	NA	Installation and maintenance of cell tower equipment, construction, antenna and line installation and testing services.
Citymesh	Engie M2M	Distributors & Logistics Services	6/25/21	NA	Distributes Internet of Things connectivity solutions in Belgium.
UPSTACK	PacTech Partners	Distributors & Logistics Services	6/24/21	NA	Strategic sourcing of network connectivity, unified communications, security and other critical services for multi-location enterprises.
Ergotech Controls	DH Wireless Solutions	Distributors & Logistics Services	6/8/21	NA	Reseller and systems integrator for wireless communications, machine to machine and Internet of Things technologies.
Cerberus Capital	Red River Technology	Distributors & Logistics Services	6/7/21	NA	Virtualization, VoIP and unified communications systems, network and security integration services for businesses.
Grain Management	Network Wireless Solutions	Distributors & Logistics Services	6/2/21	NA	Cell site development, inventory management and material distribution services and sale of custom fiber optic cables.
Logicalis	siticom	Distributors & Logistics Services	6/2/21	NA	Telecom integration, virtualization and testing services for use in campus networking and communications networks.
Latvijas Mobilais Telefons	Santa Monica Networks	Distributors & Logistics Services	6/1/21	NA	Data network infrastructure, security products, VoIP products, IP-phones and information technology management products.
Nuvias Group	Cloud Distribution	Distributors & Logistics Services	5/25/21	NA	Distributor of cybersecurity, networking and SaaS solutions in the UK.
Project Informatica	Teclit	Distributors & Logistics Services	5/25/21	NA	Design, installation and maintenance of digital communication systems.
Ranch Creek Partners	InSite Telecom	Telecom Engineering and Construction	5/24/21	NA	Specialized construction, installation and maintenance services for wireless and wireline telecom providers in Southern California.
Chequers Capital	Corning Services	Telecom Engineering and Construction	5/19/21	NA	Network monitoring, maintenance and operational support services for operators of critical infrastructures.
Arrow Business Communications	UK-tec	Distributors & Logistics Services	5/13/21	NA	Network and security products and services including SD-WAN and managed services.
Charge Enterprises	ANS Advanced Network Services	Telecom Engineering and Construction	5/13/21	NA	Engineer, furnish and installation services for wireless carriers, tower owners, enterprise facilities and government offices.
NWN Corporation	Carousel Industries	Distributors & Logistics Services	5/12/21	NA	Enterprise telecom, network and security systems design and integration services.
Savex Technologies	Inflow Technologies	Distributors & Logistics Services	5/7/21	NA	Distributor of information security, networking, unified communications and other products in South Asia.
Crestone Services	Specialized Communications Services	Telecom Engineering and Construction	5/3/21	NA	Design, engineering, construction and maintenance services for wireless and wireline carriers in Utah and Nevada.
Borgman Capital	SatTel Broadband	Telecom Engineering and Construction	4/27/21	NA	Provider of wireless telecom construction services in Washington, Arizona and Hawaii.
Borgman Capital	SRU Electric	Telecom Engineering and Construction	4/27/21	NA	Wireless network construction services in Illinois, Wisconsin, Michigan, Ohio, Minnesota, Indiana and California.
ADB Companies	ETAK	Telecom Engineering and Construction	4/26/21	NA	Installation, repair and maintenance services for wireless carriers and tower owners.
Warren Equity Partners	ADB Companies	Telecom Engineering and Construction	4/26/21	NA	End-to-end provider of infrastructure services to install, maintain and operate telecommunication and power infrastructure.

## M&A Announced Transactions (4/1/21 – 6/30/21), continued

Acquiror	Target	Sector	Date Announced	Purchase Price	Description
WHP Telecoms	Intelligent Communications Solutions	Telecom Engineering and Construction	4/26/21	NA	Design and build services to multinational telecommunications firms.
Welltel	Capstone Intelligent Solutions (Irish and UK Operations)	Distributors & Logistics Services	4/22/21	NA	Designs, deploys and manages communications systems and contact centers for businesses.
Kern & Stelly Medientechnik	eLink Distribution (Unified Communications Division)	Distributors & Logistics Services	4/20/21	NA	Distributor of unified communications solutions for businesses in Germany.
Network Connex	Advantage Engineers	Telecom Engineering and Construction	4/15/21	NA	Site acquisition, planning and surveying, zoning and permitting and construction management for wireless and fiber deployments.
AdEPT Telecom	Datrix	Distributors & Logistics Services	4/14/21	\$22.1	Designs, delivers and manages end-to-end enterprise solutions for complex, multi-site environments.
Dustin Group	Centralpoint Holding	Distributors & Logistics Services	4/13/21	\$505.5	VAR and an online distributor of IT equipment, cellphones and electronics primarily for businesses in the Netherlands and Belgium.
WHP Telecoms	Blue Clarity Design Services	Telecom Engineering and Construction	4/13/21	NA	Designing, surveying and planning services for telecommunications network operators.
Mutares	AlanDick Communications	Telecom Engineering and Construction	4/12/21	NA	Engineering and design services as well as operational support services for both wireline and wireless networks.
Fifosys	Enforce Technology	Distributors & Logistics Services	4/9/21	NA	Remote access, firewall/IPS, email filtering, Web filtering, ID management, authentication and client antivirus/firewall products.
Full Circle Fiber	Reel Telecommunications	Telecom Engineering and Construction	4/5/21	NA	Fiber optic replacement and splicing, construction and engineering services for Telecom operators in the southern U.S. and Bahamas.
CIRCET GROUPE	Instalaciones de Tendidos Telefónicos	Telecom Engineering and Construction	4/1/21	NA	Designs and develops telecommunications networks in Spain.
Convergint Technologies	Seal Telecom	Distributors & Logistics Services	4/1/21	NA	Audio and video, unified communication, smart buildings, broadcast and fire and security solutions across the LATAM region.
rhipe	EMT Distribution	Distributors & Logistics Services	4/1/21	NA	Distributes cyber security software products in Australia.

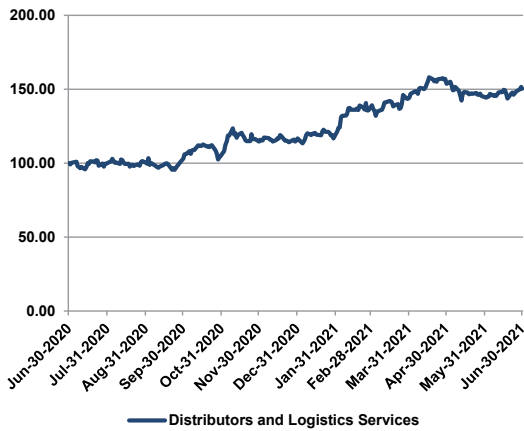
## M&A Announced Transactions with Revenue Multiples (7/1/20 – 6/30/21)

Acquiror	Target	Sector	Date Announced	Purchase Price	Revenue Multiple	EBITDA Multiple	Description
AdEPT Telecom	Datrix	Distributors & Logistics Services	4/14/21	\$22.1	1.5 x	NA	Designs, delivers and manages end-to-end enterprise solutions for complex, multi-site environments.
Dustin Group	Centralpoint Holding	Distributors & Logistics Services	4/13/21	\$505.5	0.6 x	NA	VAR and an online distributor of IT equipment, cellphones and electronics primarily for businesses in the Netherlands and Belgium.
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.



# Sub Sector Analysis: Distributors and Logistics Services

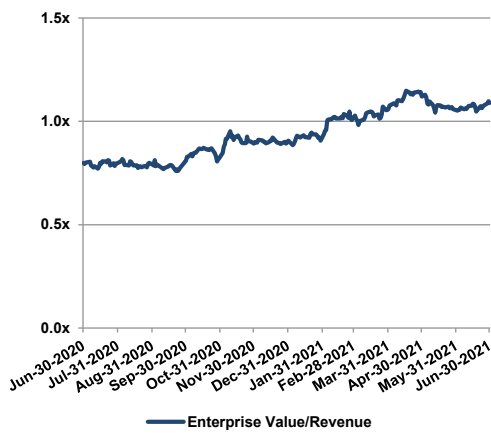
## Twelve Month Index Returns



## Company Returns

	12 Month	3 Month
Distributors and Logistics Index	50.3%	4.2%
ADDvantage Technologies	-23.8%	0.8%
CDW	50.3%	5.4%
ePlus	22.7%	-13.0%
Insight	103.3%	4.8%
PC Connection	-0.2%	-0.3%
TESSCO	11.8%	-15.1%

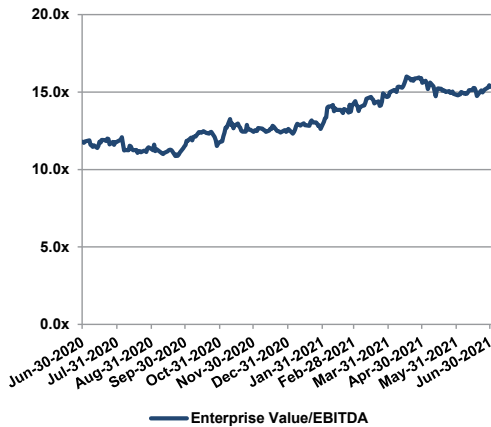
## Revenue Multiple Trends



## Company Revenue Multiples

	6/30/2021	6/30/2020
Distributors and Logistics Index	1.1x	0.8x
ADDvantage Technologies	0.8x	0.8x
CDW	1.5x	1.1x
ePlus	0.8x	0.7x
Insight	0.5x	0.3x
PC Connection	0.5x	0.4x
TESSCO	0.3x	0.2x

## EBITDA Multiple Trends



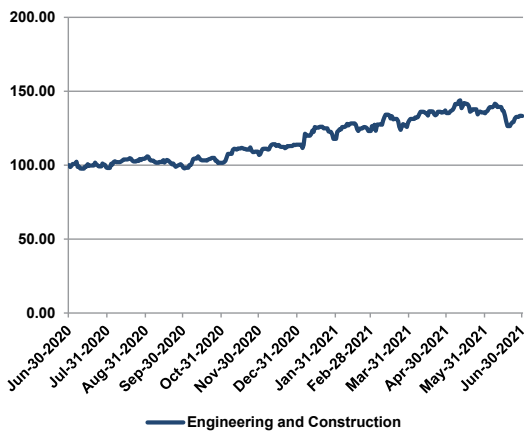
## Company EBITDA Multiples

	6/30/2021	6/30/2020
Distributors and Logistics Index	15.3x	11.8x
ADDvantage Technologies	NM	NM
CDW	17.1x	13.6x
ePlus	9.6x	9.1x
Insight	11.7x	8.5x
PC Connection	14.1x	10.4x
TESSCO	NM	NM

Source: Capital IQ

# Sub Sector Analysis: Engineering and Construction

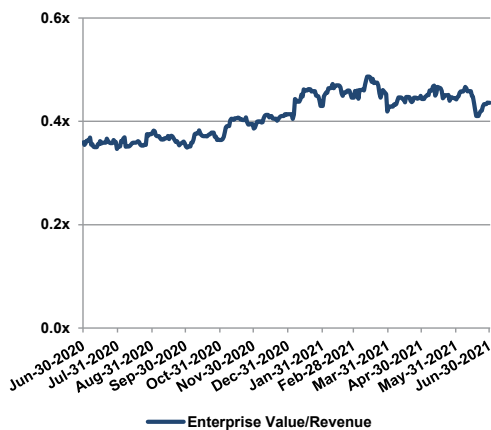
## Twelve Month Index Returns



## Company Returns

	12 Month	3 Month
Engineering and Construction Index	33.2%	2.3%
Baran Group	152.2%	10.1%
China Communications Services	-19.7%	11.3%
COMSYS Holdings	-6.2%	-10.1%
Dycom	82.3%	-19.7%
Mastec	136.5%	13.2%
MIRAIT Holdings	19.1%	7.5%
TSS	-46.4%	-28.3%

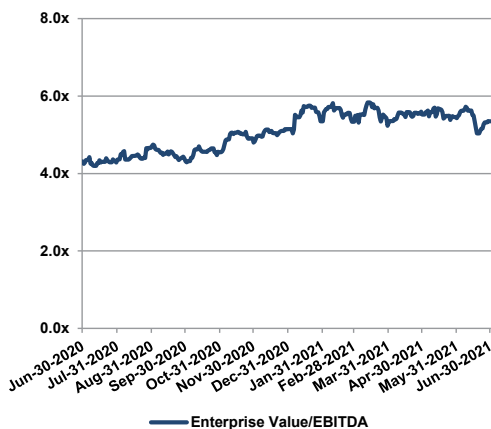
## Revenue Multiple Trends



## Company Revenue Multiples

	6/30/2021	6/30/2020
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	0.6x
Mastec	1.3x	0.7x
MIRAIT Holdings	0.4x	0.4x
TSS	0.1x	0.3x

## EBITDA Multiple Trends



## Company EBITDA Multiples

	6/30/2021	6/30/2020
Engineering and Construction Index	5.3x	4.3x
Baran Group	11.3x	9.0x
China Communications Services	0.2x	2.3x
COMSYS Holdings	7.6x	8.0x
Dycom	10.8x	7.0x
Mastec	10.7x	6.9x
MIRAIT Holdings	5.5x	5.7x
TSS	NM	NM

Source: Capital IQ

# FOCUS Telecom Technology and Services Team

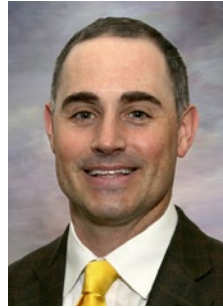


## **Richard H. Pierce**

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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.



## **David Freeland**

Managing Director,  
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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](http://www.focusbankers.com).

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