

# 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

**Fall 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

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## Public Markets

After several periods of gains, the FOCUS Telecom Business Services Index (TBSI) slipped into the black with a loss of 0.5% over the past three months. In addition to its negative performance, the sub sector trailed the broader indices as the S&P 500 rose 0.2% and the NASDAQ dipped 0.4% over the same time period. Even with this period's decline, performance for the full year remains strong. The TBSI is up 41.2% over the past 12 months, which handily outperforms both the 28.1% gain in the S&P 500 and the 29.4% gain in the NASDAQ. Sector multiples are also higher than they were in the year-ago period. The sector revenue multiple increased from 0.6x to 0.7x, while the sector EBITDA multiple rose from 7.4x to 9.2x.

## Distributors and Logistics Services

The Distributors and Logistics Services sub sector had a gain of 2.7% for the past three months. While four of the six stocks in the sub sector had negative returns, an 18.4% gain at ePlus and a 4.2% gain at CDW pulled the sub sector into positive territory. For the full year, the sub sector is up just shy of 50%. CDW, Insight and ePlus boasted the highest gains in the sub sector over this past

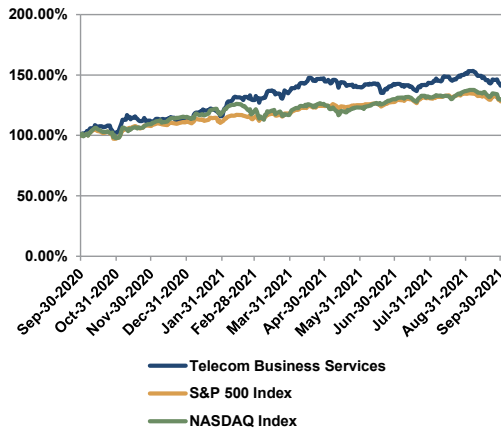
year, but every single company in the index delivered a positive return. Sub sector multiples are also considerably higher than they were 12 months ago, closing out the period at 1.1x revenue and 15.5x EBITDA. Both of these compare favorably to last year's multiples of 0.8x revenue and 11.6x EBITDA.

## Engineering and Construction

The Engineering and Construction sub sector had a tough time of it this reporting period as the sub sector dropped 5.9%. Four of the six companies in the sub sector had negative returns over the past three months, so losses were broad-based. This included a 4.4% drop at Dycom and an even more substantial 18.7% drop at MasTec. On the bright side, the sub sector is up 28.0% over the past 12 months, so year-over-year performance remains strong. When looked at over the full year time frame, Dycom and MasTec are actually two of the sub sector's stronger performers with year-over-year gains of 34.9% and 104.5%, respectively. In terms of multiples, the sub sector revenue multiple held steady at 0.4x. However, the sub sector EBITDA multiple increased nicely from 4.3x a year ago to 4.8x currently.

# Telecom Business Services: Public Market Summary

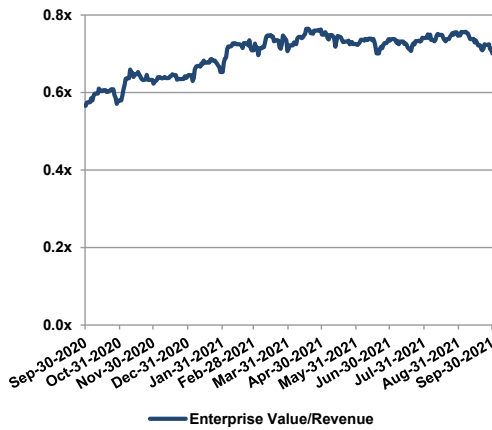
## Twelve Month Index Returns



## Sector and Sub Sector Returns

	12 Month	3 Month
Telecom Business Services	41.2%	-0.5%
Distributors and Logistics Services	49.9%	2.7%
Engineering and Construction	28.0%	-5.9%
S&P 500	28.1%	0.2%
NASDAQ	29.4%	-0.4%

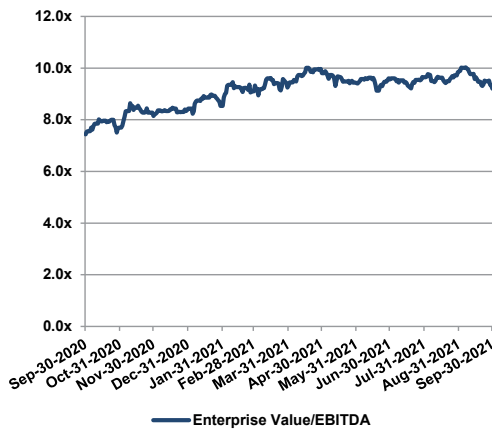
## Revenue Multiple Trends



## Sector and Sub Sector Revenue Multiples

	9/30/2021	9/30/2020
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

	9/30/2021	9/30/2020
Telecom Business Services	9.2x	7.4x
Distributors and Logistics Services	15.5x	11.6x
Engineering and Construction	4.8x	4.3x

Source: Capital IQ

# M&A Summary Comments

## M&A

It was yet another robust period for M&A activity in the Telecom Business Services sector, at least in terms of the number of announced transactions. We counted 39 total transactions in the past three months, which is on the high end of what we typically see. On the other hand, despite the high number of transactions, total announced transaction dollar value was light at only \$163 million. Year-to-date, 2021 is on track to be a good year for M&A in the sector. We count 109 total deals for the first nine months of the year with a total announced transaction dollar value of \$8.3 billion. This means that we will almost certainly exceed 2020 both in terms of the number of deals and the total announced transaction dollar value. We also anticipate that total announced transaction dollar value will be one of the highest in the last five years.

## Distributors and Logistics Services

The Distributors and Logistics Services sub sector had 21 transactions this period, which was a slight increase in activity from our summer report. This included the largest announced dollar volume transaction in the Telecom Business Services sector this period; the acquisition of wireless retailer Fone Zone by Telstra for just shy of \$80 million. In addition, we noted that USTC, a platform investment of The Carlyle Group, was active in consolidating broadband equipment distribution companies with acquisitions of both Comstar Supply and Walker and Associates. The Third-Party Maintenance space was also active as serial acquirers Park Place Technologies and Service Express both

inked acquisitions. Finally, the sub sector minted two new private equity platform companies this period. These were used equipment supplier CellSite Solutions (which received an investment from Fort Point Capital) and wireless infrastructure distribution company Alliance Corporation (which received an investment from Lee Equity Partners).

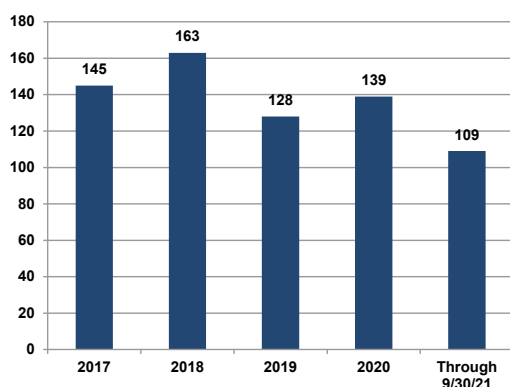
## Engineering and Construction

M&A activity continued to increase in the Engineering and Construction sub sector with 18 total transactions this period. Not to be outdone by its sector counterpart, the Engineering and Construction sub sector counted three new private equity platform investments. These were the acquisition of Y-Com by Grain Management, the acquisition of Excel Utility Contractors by Sileo Capital and the acquisition of Kane Communications by Aterian Investment Partners. The Kane Communications deal was particularly interesting as it highlights an uptick in interest in structured cabling companies. Other structured cabling acquisitions this period included the American Engineering Corporation acquisition of Integrity Networks and the Sterlite Technologies acquisition of Clearcomm Group. Strategic acquirers were active as well. Congruex continued its acquisitive ways with the pickup of A&M Communications, while Qualtek returned to the deal table in advance of its pending SPAC deal with the acquisition of wireless construction company Broken Arrow Communications. In the final Engineering and Construction

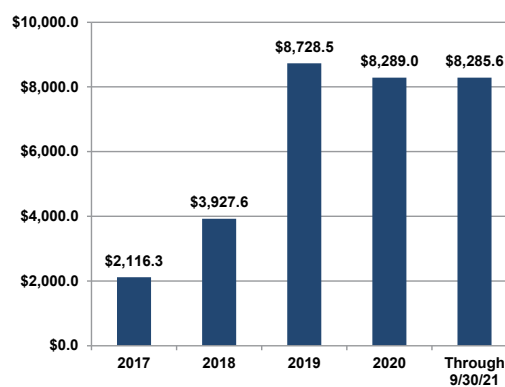
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## Telecom Business Services: M&A Summary

M&A Activity: Number of Transactions



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



transaction that we will highlight, we noted that National OnDemand made two acquisitions this period. Both of these deals were for last mile installation companies.

### Transactions with Multiples

The Telecom Business Services sub sector had three transactions with announced multiples this period. Two of these, the acquisition of Clearcomm Group by Sterlite Technolo-

gies and the acquisition of DAEL Ventures by Mitie Group, were in the Engineering and Construction sub sector. Both of these transactions were done at multiples of 0.8x revenue with no announced EBITDA multiple. The final transaction for the period was Redington's acquisition of mobile phone distribution company Brightstar Telekomünikasyon Dağıtım. This deal had a revenue multiple of 0.1x.

## M&A Announced Transactions (7/1/21 – 9/30/21)

Acquiror	Target	Sector	Date Announced	Purchase Price	Description
Fort Point Capital	CellSite Solutions	Distributors & Logistics Services	9/28/21	NA	Used telecommunications equipment supplier providing towers, cabinets, cell on wheels, generators and other equipment.
Telstra Corporation	Fone Zone	Distributors & Logistics Services	9/24/21	\$79.7	Owns and operates mobile communication retail stores in Australia.
CIRCET GROUPE	SMART Telecom Consulting	Telecom Engineering and Construction	9/21/21	NA	Offers engineering and site acquisition services for mobile networks in Spain.
FAYAT	NXO France	Telecom Engineering and Construction	9/20/21	NA	Designs, installs, maintains and supports business solutions and communication services.
John Staurulakis	Mid-State Consultants	Telecom Engineering and Construction	9/17/21	NA	Communications engineering including network planning and design, outside and inside plant, virtual drafting and project management.
National OnDemand	TK Telecom Construction	Telecom Engineering and Construction	9/15/21	NA	Provides telecom construction, MDU and drop bury services in the Southeast region.
Park Place Technologies	Congruity360 (Hardware Maintenance & Data Migration Assets)	Distributors & Logistics Services	9/15/21	NA	Third-party maintenance services, data migration capabilities and new hardware sales for businesses.
Lee Equity Partners	Alliance Corporation	Distributors & Logistics Services	9/14/21	NA	Distributes wireless network infrastructure and broadband products and solutions for the wireless and broadband industries.
Nexon Asia Pacific	Veridian Solutions	Distributors & Logistics Services	9/13/21	NA	Contact center consulting, cloud, and cyber security services.
Redington	Brightstar Telekomünikasyon Dağıtım	Distributors & Logistics Services	9/13/21	\$35.0	Value-added distribution of leading brands of smartphones, devices, consumer electronics and accessories to telecom operators.
SeSa	Kolme	Distributors & Logistics Services	9/13/21	NA	Value-added reseller of IT and telecom equipment and supplies for businesses in Italy.
Service Express	ICC Group	Distributors & Logistics Services	9/7/21	NA	Data center maintenance and additional managed services to businesses in the U.K.
Informática y Comunicaciones INGECOM	Multipoint	Distributors & Logistics Services	9/1/21	NA	Distribution of information technology security and Internet technology products in Israel and Europe.
INVEST	Kapsch BusinessCom	Distributors & Logistics Services	8/31/21	NA	Unified workplace, digital facility solutions, converged infrastructure, intelligent network and security solutions for businesses in Austria.
RAM Consulting	Encepta	Telecom Engineering and Construction	8/26/21	NA	Outside plant field services, design, inspection and construction management for the telecommunications sector.
Foxway	Greentech	Distributors & Logistics Services	8/23/21	NA	Reused IT equipment disposal, value-added reselling and management services to businesses in Europe.
Grain Management	Y-COM	Telecom Engineering and Construction	8/19/21	NA	Super regional provider of infrastructure construction services to the telecommunications, utility and power sectors.

## M&A Announced Transactions (7/1/21 – 9/30/21), continued

Acquiror	Target	Sector	Date Announced	Purchase Price	Description
Rydal Communications	Agenda IT	Distributors & Logistics Services	8/16/21	NA	Business systems, phone systems and IT support services in the U.K.
Fulcrum Technology Group	Enterprise Network Services	Distributors & Logistics Services	8/15/21	NA	Networking solutions, server and storage systems, desktop virtualization and related migration and mobility solutions.
Congruex	A&M Communications	Telecom Engineering and Construction	8/12/21	NA	Provider of wireless telecom installation and maintenance services in the Northwest, Rocky Mountain and Texas regions.
CSE-Uniserve	Gambier Electronics	Distributors & Logistics Services	8/11/21	\$0.8	Distributes communications products in Australia.
Kajeet	Red Rover	Telecom Engineering and Construction	8/11/21	NA	Broadband network design consultancy specializing in private LTE networks.
Renovotec	Wifigear	Distributors & Logistics Services	8/11/21	NA	Distributes wireless networking and security products in the U.K.
DarkPulse	Optilan	Telecom Engineering and Construction	8/10/21	\$5.5	Provides telecom systems integration services including equipment build and testing, installation, commissioning and maintenance.
Netsurit	Real Time Consultants	Distributors & Logistics Services	8/10/21	NA	Offers virtualized servers, storage solutions and networking products as well as wireless technologies for local networking.
QualTek	Broken Arrow Communications	Telecom Engineering and Construction	8/9/21	NA	Services for the installation, construction, and maintenance of wireless communications facilities in the Western U.S.
USTC	Comstar Supply	Distributors & Logistics Services	8/9/21	NA	Distributes materials and equipment relating to broadband industry through its distribution center and online platform.
Mitie Group	DAEL Ventures	Telecom Engineering and Construction	8/5/21	\$20.9	Wireless telecom infrastructure acquisition, design, and construction services in the U.K.
Aterian Investment Partners	Kane Communications	Telecom Engineering and Construction	8/2/21	NA	Structured cabling and related telecommunications and utility infrastructure services in the New York/New Jersey region.
Hexatronic Group	Optical Solutions	Distributors & Logistics Services	8/2/21	NA	Engages in the distribution of fiber optic solutions, copper structured solutions and network solutions in Australia.
Sterlite Technologies	Clearcomm Group	Telecom Engineering and Construction	7/22/21	\$21.1	Planning and design, network construction, project management, cable installation and 5G network build services in the U.S.
USTC	Walker and Associates	Distributors & Logistics Services	7/22/21	NA	Distributes communications products such as FTTH, packet optical networking and fixed wireless to network operators in the U.S.
Helix IT	MTN Communication Systems	Distributors & Logistics Services	7/19/21	NA	Business telephone system, voice and data cabling and IP security camera installation services.
Sileo Capital	Excel Utility Contractors	Telecom Engineering and Construction	7/15/21	NA	Project management, construction, installation and maintenance services for the telecom, water/wastewater and power industries.
National OnDemand	A+ Communications And Security	Telecom Engineering and Construction	7/13/21	NA	Last mile services focusing on MDU services, drop bury services and installation services for cable operators along the east coast.
NextEdge	Spectrum Services	Telecom Engineering and Construction	7/7/21	NA	Wireless infrastructure and construction services for businesses in the telecommunications field services industry in the US.
NextEdge	Tachyon Communications	Telecom Engineering and Construction	7/7/21	NA	Design, construction, optimization and maintenance services for owners and operators of fiber and wireless network infrastructure.
Exclusive Networks	Ignition Technology	Distributors & Logistics Services	7/6/21	NA	Distributor of security solutions in the U.K.
American Engineering Corporation	Integrity Networks	Telecom Engineering and Construction	7/1/21	NA	Nationwide provider of structured cabling and wireless solutions.



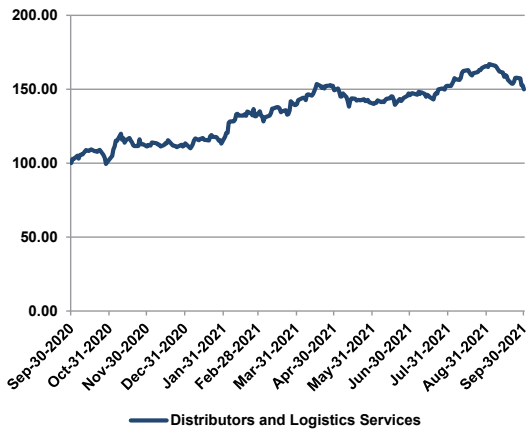
## M&A Announced Transactions with Revenue Multiples (10/1/20 – 9/30/21)

Acquiror	Target	Sector	Date Announced	Purchase Price	Revenue Multiple	EBITDA Multiple	Description
Redington	Brightstar Telekomünikasyon Dağıtım	Distributors & Logistics Services	9/13/21	\$35.0	0.1 x	NA	Value-added distribution of leading brands of smartphones, devices, consumer electronics and accessories to telecom operators.
Mitie Group	DAEL Ventures	Telecom Engineering and Construction	8/5/21	\$20.9	0.8 x	NA	Wireless telecom infrastructure acquisition, design, and construction services in the U.K.
Sterlite Technologies	Clearcomm Group	Telecom Engineering and Construction	7/22/21	\$21.1	0.8 x	NA	Planning and design, network construction, project management, cable installation and 5G network build services in the U.S.
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.



# Sub Sector Analysis: Distributors and Logistics Services

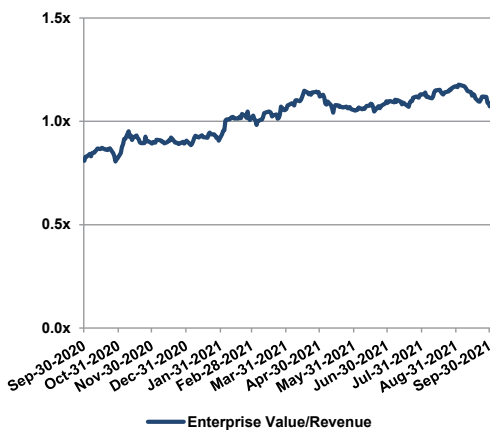
## Twelve Month Index Returns



## Company Returns

	12 Month	3 Month
Distributors and Logistics Index	49.9%	2.7%
ADDvantage Technologies	22.9%	-9.9%
CDW	52.3%	4.2%
ePlus	40.2%	18.4%
Insight	59.2%	-9.9%
PC Connection	7.2%	-4.8%
TESSCO	3.9%	-9.3%

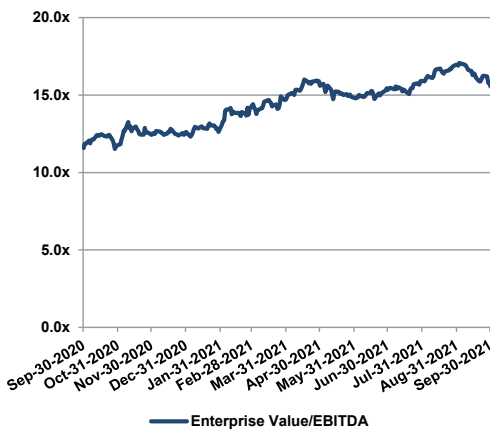
## Revenue Multiple Trends



## Company Revenue Multiples

	9/30/2021	9/30/2020
Distributors and Logistics Index	1.1x	0.8x
ADDvantage Technologies	0.7x	0.5x
CDW	1.5x	1.1x
ePlus	0.9x	0.7x
Insight	0.4x	0.3x
PC Connection	0.4x	0.4x
TESSCO	0.3x	0.2x

## EBITDA Multiple Trends



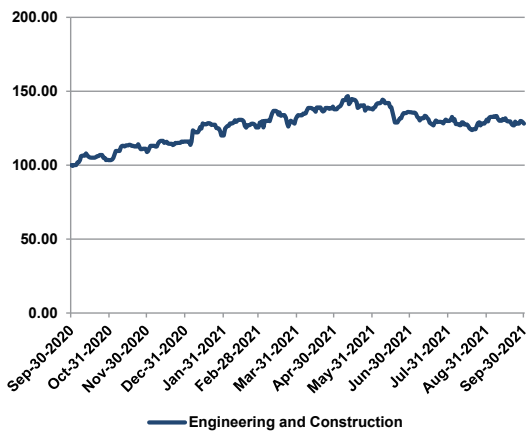
## Company EBITDA Multiples

	9/30/2021	9/30/2020
Distributors and Logistics Index	15.5x	11.6x
ADDvantage Technologies	NM	NM
CDW	17.5x	13.2x
ePlus	11.0x	9.7x
Insight	10.7x	7.7x
PC Connection	11.4x	9.6x
TESSCO	NM	NM

Source: Capital IQ

# Sub Sector Analysis: Engineering and Construction

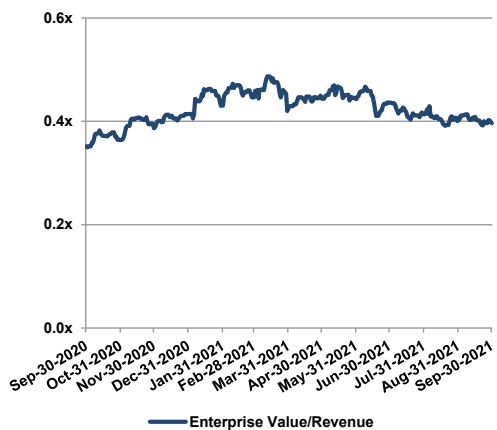
## Twelve Month Index Returns



## Company Returns

	12 Month	3 Month
Engineering and Construction Index	28.0%	-5.9%
Baran Group	41.8%	-15.9%
China Communications Services	-5.3%	11.1%
COMSYS Holdings	-4.5%	-4.6%
Dycom	34.9%	-4.4%
Mastec	104.5%	-18.7%
MIRAIT Holdings	30.8%	12.3%

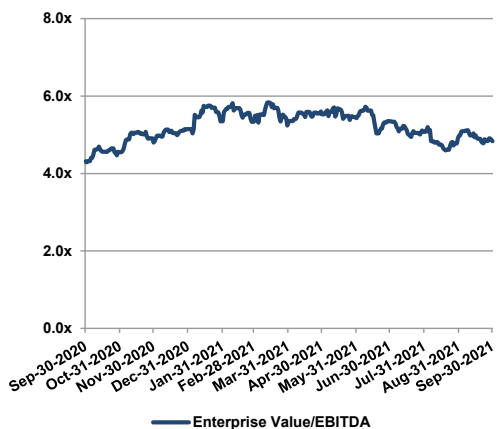
## Revenue Multiple Trends



## Company Revenue Multiples

	9/30/2021	9/30/2020
Engineering and Construction Index	0.4x	0.4x
Baran Group	0.5x	0.5x
China Communications Services	0.0x	0.1x
COMSYS Holdings	0.5x	0.6x
Dycom	0.9x	0.7x
Mastec	1.1x	0.7x
MIRAIT Holdings	0.4x	0.3x

## EBITDA Multiple Trends



## Company EBITDA Multiples

	9/30/2021	9/30/2020
Engineering and Construction Index	4.8x	4.3x
Baran Group	7.6x	9.4x
China Communications Services	1.3x	2.8x
COMSYS Holdings	5.5x	6.4x
Dycom	11.7x	8.2x
Mastec	9.0x	6.5x
MIRAIT Holdings	4.5x	4.7x

Source: Capital IQ

# FOCUS Telecom Technology and Services Team

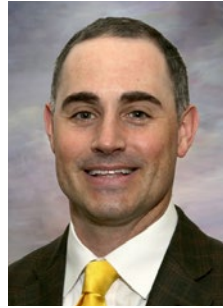


## **Richard H. Pierce**

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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**

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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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