



FOCUS Telecom  
Technology and Services Group  
Telecom Business  
Services Quarterly

**Spring 2017 Report**

Vol. 7, No. 2

**FOCUS**

**Investment Banking**

**Strategic, Personal, Dedicated**

### 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 four professionals with a mix of backgrounds that include both C-level operating expertise and experience at leading middle market investment banks. 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 bankers with C-level operating experience in the telecom industry,
- 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 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) enjoyed a solid gain of 7.5% in our spring reporting period. This outperformed the 5.5% gain in the S&P 500 but lagged the 9.8% increase in the NASDAQ. This was the fifth straight reporting period that saw the TBSI in positive territory. For the full 12-month period, the TBSI was up 39.4%. This gain significantly outperformed both the S&P 500 (up 14.7% over the past 12 months) and the NASDAQ (up 21.4% over the past 12 months). Multiples also are higher compared to this time last year. The sector revenue multiple increased from 0.3x last year to 0.4x currently, while the sector EBITDA multiple increased from 8.1x to 9.0x over the same time period.

### Distributors and Logistics Services

Following its strong performance in our winter report, the Distributors and Logistics Services sub sector continued its momentum into the spring. The sub sector posted a gain of 9.3% for the period, with eight of the nine stocks in positive territory. Wireless distributor TESSCO was the top performer with a three-month gain of 20.8%, while CDW, ePlus and Tech Data also enjoyed double digit gains. The one company in negative territory was Black Box, which dropped more than 40% after a disappointing earnings report and the resignation of its CFO. The sub sector's performance for the full-year period also was very

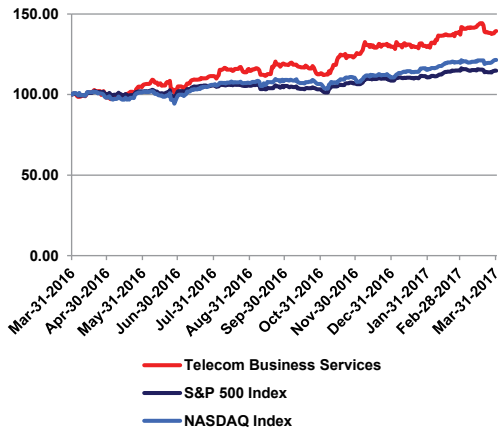
strong with an increase of 34.1%. Seven of the nine stocks in the index were up for the period, with TESSCO joining Black Box as the only two stocks in negative territory. Multiples also increased compared to the year-ago period. The sub sector revenue multiple went from 0.3x to 0.4x, while the sub sector EBITDA multiple went from 9.1x to 10.3x.

### Engineering and Construction

For the second straight reporting period, the Engineering and Construction sub sector was the TBSI's laggard. Even so, the sub sector still posted a respectable gain of 5.4% for this most recent three-month period. As with the Distributors and Logistics Services sub sector, gains were broad-based, with seven of the eight stocks in the index in the black. TSS and The Baran Group had the strongest gains, with increases of 180.4% and 92.8%, respectively. Sub sector bellwether Dycom also was impressive with a nearly 16% gain, while competitor Mastec was up a more modest 4.7%. For the full year, the Engineering and Construction sub sector was up 46.4%. The Baran Group, Dycom, and Mastec were the main drivers of this stellar performance. Sub sector multiples ended the period at 0.5x revenue and 7.6x EBITDA. Those both are increases from the 0.4x revenue and 6.8x EBITDA multiples that we saw in the year-ago period.

# Telecom Business Services: Public Market Summary

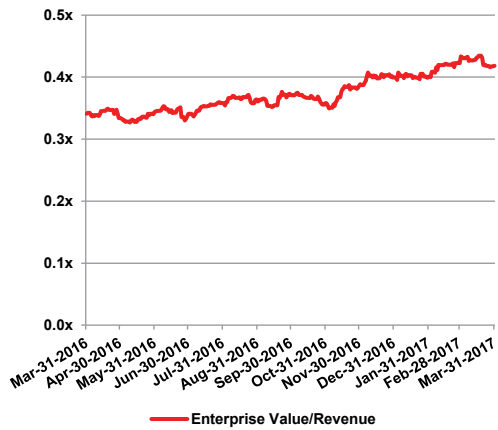
## Twelve Month Index Returns



## Sector and Sub Sector Returns

	12 Month	3 Month
Telecom Business Services	39.4%	7.5%
Distributors and Logistics Services	34.1%	9.3%
Engineering and Construction	46.4%	5.4%
S&P 500	14.7%	5.5%
NASDAQ	21.4%	9.8%

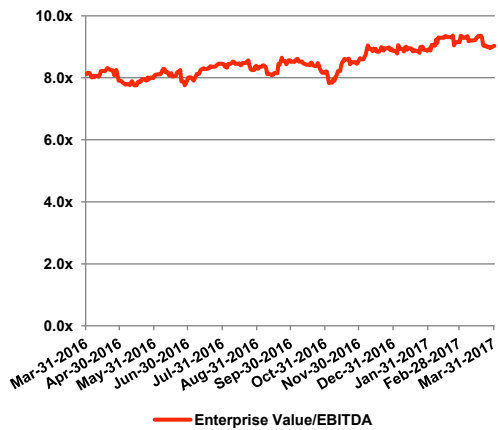
## Revenue Multiple Trends



## Sector and Sub Sector Revenue Multiples

	3/31/2017	3/31/2016
Telecom Business Services	0.4x	0.3x
Distributors and Logistics Services	0.4x	0.3x
Engineering and Construction	0.5x	0.4x

## EBITDA Multiple Trends



## Sector and Sub Sector EBITDA Multiples

	3/31/2017	3/31/2016
Telecom Business Services	9.0x	8.1x
Distributors and Logistics Services	10.3x	9.1x
Engineering and Construction	7.6x	6.8x

Source: Capital IQ

# Summary Comments

## M&A

2017 started out at a brisk pace in terms of the number of M&A transactions. We counted 37 transactions for the period, just slightly below the 39 transactions that we saw in the last three months of 2016. While the overall level of M&A deals this period was solid, with only \$38.6 million in announced transaction dollar volume, the market was anemic based on this metric. While part of this was undoubtedly due to the fact the larger transactions over this past three months involved private companies where the acquisition price was not disclosed, it still is a strong indicator that the market was dominated by smaller transactions in the first few months of 2017.

## Distributors and Logistics Services

The Distributors and Logistics Services sub sector accounted for 30 of our transactions this period. For the second straight period, cybersecurity system integrators were an extremely active segment of the sub sector with eight total transactions for the period. This included a new platform company (the H.I.G. Capital acquisition of European security system integrator Infinigate) as well as several acquisitions by groups such as Optiv Security, Kudelski Security, and Sirius Computer Solutions. In addition, the market for companies involved with maintenance services, refurbished equipment, and other reverse logistics solutions also was extremely active. The most notable transaction in this space was the acquisition of Curvature by private equity backed Systems Maintenance Services. This acquisition will create one of the largest pure play companies in the refurbished equipment and maintenance services market. Procurri Corporation also entered the U.S. with its acquisition of Congruity, while Comm-Works, TVS Supply Chain Solutions, and TalkPool all acquired IT repair companies.

## Engineering and Construction

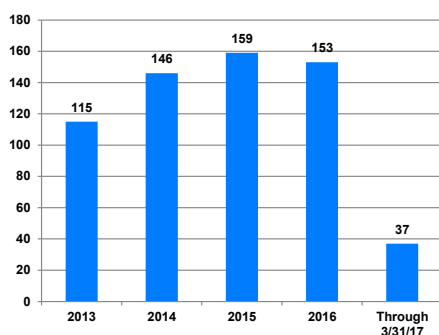
The Engineering and Construction sub sector had seven transactions this period. One of these, the acquisition of wireless-focused engineering company Broken Arrow Communications, establishes yet another private equity-backed company in the sub sector. In addition, ITC Services, which received a private equity infusion last year, inked its first post-investment transaction with the acquisition of Clear Cell Management. We also saw FTE Networks strengthen its presence in the fiber network construction space with the acquisition of Midwest Underground Solutions. Finally, we noted that two of our transactions in the Engineering and Construction sub sector were for companies based in Europe. This is the second straight period where the sub sector has enjoyed solid activity outside of the U.S. market.

## Transactions with Multiples

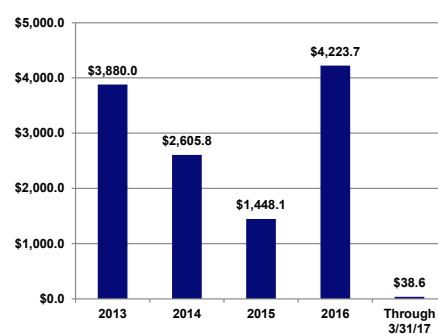
We only had two transactions with announced multiples in our spring reporting period, one in each of our sub sectors. In the Distributors and Logistics Services sub sector, Credence Security acquired A-Tek Distribution at the extremely discounted multiples of 0.3x revenue and 0.6x EBITDA. Conversely, the lone transaction in the Engineering and Construction sub sector, ERF Wireless' acquisition of Accordant Communications, weighed in at an extremely healthy 2.8x revenue. However, ERF Wireless indicated that Accordant Wireless had a contracted backlog that would more than double its revenue in the upcoming year, so on a forward-looking basis, the revenue multiple was only about 0.5x.

## Telecom Business Services: M&A Summary

M&A Activity: Number of Transactions



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



## Announced Transactions (1/1/17 – 3/31/17)

Acquiror	Target	Sector	Date Announced	Purchase Price	Description
Computers Nationwide	KC Computers	Distributors & Logistics Services	3/28/17	NA	Wired and wireless networking solutions as well as servers and desktop virtualization products.
Orion Systems Integrators	Structured Network Solutions	Distributors & Logistics Services	3/27/17	NA	Network design, directory authentication services, IT security policy and design strategies and storage solutions.
Optiv Security	Comm Solutions	Distributors & Logistics Services	3/20/17	NA	Regional provider of enterprise-level security and networking technology, services and solutions.
4Sec Group	Alpha Generation Distribution	Distributors & Logistics Services	3/17/17	NA	Distributes information technology security products and solutions for various organizations worldwide.
InterDev	Communications Resources	Distributors & Logistics Services	3/13/17	NA	Telecommunications integrator specializing in the design, installation and maintenance of voice and data communications infrastructure.
Maxxum	Trace Technology Management	Distributors & Logistics Services	3/13/17	NA	Offers asset management services to track the usage, depreciation and maintenance of computers and networking equipment.
PlanNet21 Communications	Agile Networks	Distributors & Logistics Services	3/11/17	NA	Provides network integration services.
Comm-Works	Network Access Products	Distributors & Logistics Services	3/7/17	NA	Services company specializing in managed services and depot maintenance capabilities.
Oak Lane Partners	Volt Information Sciences (Maintech Division)	Distributors & Logistics Services	3/7/17	\$18.3	IT systems design, integration and support services for businesses and datacenters in the US and UK.
Norwest Equity Partners	Bailiwick	Distributors & Logistics Services	3/6/17	NA	Systems and telecom integration services for the retail, financial, logistics and manufacturing and restaurant sectors.
TVS Supply Chain Solutions	SPC International	Distributors & Logistics Services	3/2/17	NA	Provides repair services and spare parts primarily to multi-vendor maintenance companies and OEMs in the IT market.
Teneo	Management Communication Services	Distributors & Logistics Services	2/22/17	NA	Network integration, management and monitoring services and systems and telecom integration for businesses in the Midwest.
Cincinnati Bell Telephone	SunTel Services	Distributors & Logistics Services	2/20/17	NA	Regional provider of network security, data connectivity, and unified communications solutions based in Troy, Michigan.
Restore	ITAD Works	Distributors & Logistics Services	2/20/17	NA	Provides IT asset recovery, recycling and deployment services for businesses in the UK.
Optimus Infracom	MPS Telecom	Distributors & Logistics Services	2/14/17	\$5.2	Distributes mobile phones.
HALOCK Security Labs	Eclipsecurity	Distributors & Logistics Services	2/13/17	NA	Provides information security consulting services globally.
ITC Services	Clear Cell Management	Telecom Engineering and Construction	2/13/17	NA	Turnkey construction, site acquisition, technical service, in-building, DAS and project management for the wireless and fiber industries.
H.I.G. Capital	Infinigate	Distributors & Logistics Services	2/8/17	NA	Distributes information technology security solutions in Europe.
Procurri Corporation	Congruity	Distributors & Logistics Services	1/30/17	NA	Provides enterprise storage support and stocks a large inventory of refurbished data center storage hardware.
Data Blue	LPS Integration	Distributors & Logistics Services	1/27/17	NA	Cloud infrastructure VAR that designs custom cloud solutions and installs and configures data center hardware and software.
Credence Security	A-tek Distribution	Distributors & Logistics Services	1/24/17	\$0.3	Distributes cyber security solutions from vendors such as AVG and F-Secure.
Lotus Innovations	Commerx	Telecom Engineering and Construction	1/20/17	NA	Network infrastructure services including site evaluation, project management, installation, maintenance and commissioning services.
ERF Wireless	Accordant Communications	Telecom Engineering and Construction	1/19/17	\$14.0	Broadband network developer and builder with five offices in the U.S.
FTE Networks	Midwest Underground Solutions	Telecom Engineering and Construction	1/19/17	NA	Directional boring and fiber optic installation services.
Exclusive Group	TechXS Value Added IT Distribution	Distributors & Logistics Services	1/18/17	NA	Distributes technology hardware and software including networking, wireless, security, storage and servers.
Systems Maintenance Services	Curvature	Distributors & Logistics Services	1/18/17	NA	Provides pre-owned and new-surplus networking equipment and services solutions.
Kudelski Security	M&S Technologies	Distributors & Logistics Services	1/17/17	NA	Provides security consulting and security products to commercial and government customers.
Solutions 30 Société Anonyme	ABM Communication	Telecom Engineering and Construction	1/16/17	NA	Provides cable installation and fulfillment services for businesses and consumers.
GCI	Northpoint Consulting	Distributors & Logistics Services	1/11/17	NA	Provides consulting services such as network analysis and security, cloud migration management and communications design.
Blue Sage Capital	Broken Arrow Communications	Telecom Engineering and Construction	1/10/17	NA	Architecture, engineering and turnkey construction services for the wireless telecommunications industry.
Groupe Circet	Capcom Groupe	Telecom Engineering and Construction	1/10/17	NA	Deployment, installation and technical maintenance services for fiber optic telecommunications networks.



## Announced Transactions (1/1/17 – 3/31/17) continued

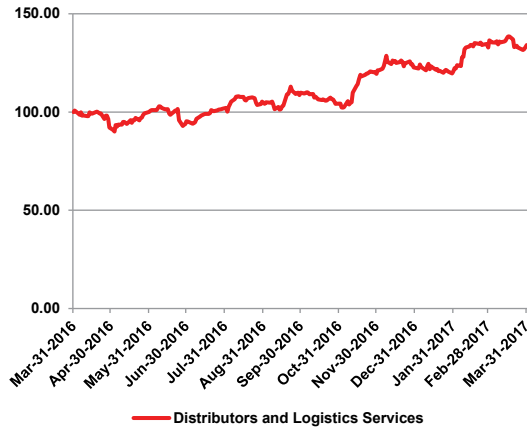
Acquiror	Target	Sector	Date Announced	Purchase Price	Description
ALSO Holding	Be IP	Distributors & Logistics Services	1/9/17	NA	Information technology network and security specialist distributor.
Koninklijke KPN	DearBytes	Distributors & Logistics Services	1/5/17	NA	Provides information technology security services and solutions.
GCI Telecom Group	Freedom Communications Services	Distributors & Logistics Services	1/4/17	NA	Provides Microsoft-based unified communications systems integration services for businesses.
ISP Supplies	Titan Wireless	Distributors & Logistics Services	1/3/17	NA	Supplies wireless networking equipment.
Sirius Computer Solutions	Continuum Worldwide	Distributors & Logistics Services	1/3/17	NA	Provides information security consulting services to Fortune 500 companies and governmental agencies.
TalkPool	Technetix (Repair Division)	Distributors & Logistics Services	1/3/17	\$0.8	Repair of telecom and IT equipment for telecom operators, internet- and cable TV service providers and IT companies.

## Announced Transactions with Revenue Multiples (4/1/16 – 3/31/17)

Acquiror	Target	Sector	Date Announced	Purchase Price	Revenue Multiple	EBITDA Multiple	Description
Credence Security	A-tek Distribution	Distributors & Logistics Services	1/24/17	\$0.3	0.3 x	0.6 x	Distributes cyber security solutions from vendors such as AVG and F-Secure.
ERF Wireless	Accordant Communications	Telecom Engineering and Construction	1/19/17	\$14.0	2.8 x	NA	Broadband network developer and builder with five offices in the U.S.
Daisy Group	Alternative Networks	Distributors & Logistics Services	12/23/16	\$229.8	1.3 x	11.1 x	Communications network consulting, systems integration and equipment and device distribution for businesses.
Wentronic	Cellnet Group	Distributors & Logistics Services	11/11/16	\$10.5	0.2 x	6.3 x	Distributes mobile phones and tablets and provides fulfillment services to the mobile telecommunications and retail industries.
C5 Capital	ITC Global Security	Distributors & Logistics Services	11/8/16	\$29.8	1.7 x	NA	Information security and networking consultancy providing integration and managed services in Europe, Asia-Pacific and North America.
Insight Enterprises	Datalink	Distributors & Logistics Services	11/7/16	\$222.8	0.3 x	10.6 x	Data center services and solutions including design, deployment, management and support services.
ADDvantage Technologies	Triton Datacom	Distributors & Logistics Services	10/19/16	\$10.0	0.7 x	4.8 x	Distributes new and refurbished Cisco networking products and equipment with an emphasis on VoIP and IP telephony.
DCC	Hammer Consolidated Holdings	Distributors & Logistics Services	10/14/16	\$46.7	0.2 x	NA	Distributes server and storage products.
Tech Data	Avnet (Technology Solutions Business)	Distributors & Logistics Services	9/19/16	\$2,593.1	0.3 x	6.9 x	Value-added distributor delivering services, software and hardware across the data center.
ABC Data	S4E	Distributors & Logistics Services	8/22/16	\$30.0	0.5 x	22.9 x	Distributes IT value-added solutions in the areas of storage, networking and security to large corporations and small businesses.
Dycom	Goodman Networks (Wireless Construction Business)	Engineering & Construction	6/2/16	\$107.5	0.7 x	NA	Provides wireless construction services in Texas, Georgia, Southern California and other markets.
AdEPT Telecom	Comms Group	Distributors & Logistics Services	5/10/16	\$5.0	0.9 x	NA	Value-added reseller and integrator of Avaya IP business telephones as well as hosted and on-premise VoIP telephony and PBX .
Hudaco Industries	Miro Distribution	Distributors & Logistics Services	5/3/16	\$22.4	1.1 x	NA	Distributes wireless, networking, VoIP and IP video products including Wi-Fi, broadband and carrier wireless products.

## Sub Sector Analysis: Distributors and Logistics Services

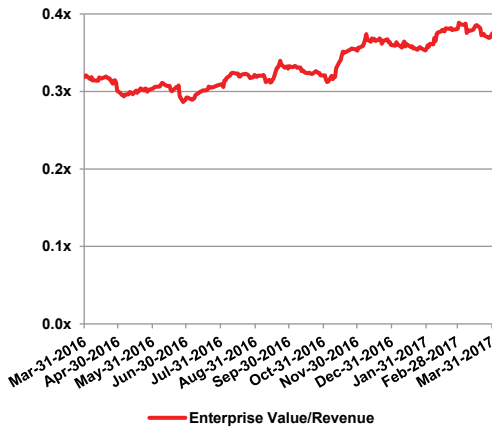
### Twelve Month Index Returns



### Company Returns

	12 Month	3 Month
Distributors & Logistics Index	34.1%	9.3%
ADDvantage Technologies	0.3%	7.6%
Black Box	-33.6%	-41.3%
CDW	39.1%	10.8%
ePlus	67.7%	17.2%
Insight	43.5%	1.6%
PC Connection	15.4%	6.1%
Tech Data	22.3%	10.9%
Tessco	-5.7%	20.8%

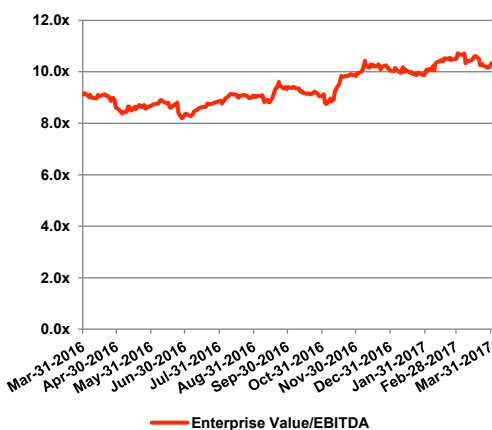
### Revenue Multiple Trends



### Company Revenue Multiples

	3/31/2017	3/31/2016
Distributors & Logistics Index	0.4x	0.3x
ADDvantage Technologies	0.5x	0.4x
Black Box	0.2x	0.3x
CDW	0.9x	0.8x
ePlus	0.8x	0.6x
Insight	0.3x	0.2x
PC Connection	0.3x	0.2x
Tech Data	0.1x	0.1x
Tessco	0.2x	0.2x

### EBITDA Multiple Trends



### Company EBITDA Multiples

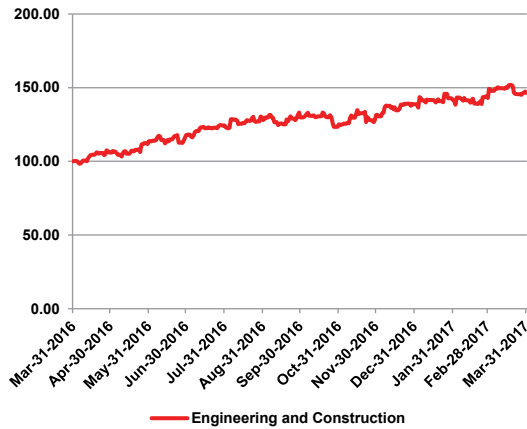
	3/31/2017	3/31/2016
Distributors & Logistics Index	10.3x	9.1x
ADDvantage Technologies	9.5x	5.7x
Black Box	8.7x	8.0x
CDW	11.9x	10.5x
ePlus	11.1x	7.8x
Insight	7.5x	6.5x
PC Connection	8.2x	6.8x
Tech Data	7.6x	7.0x
Tessco	27.5x	10.5x

Source: Capital IQ



## Sub Sector Analysis: Engineering and Construction

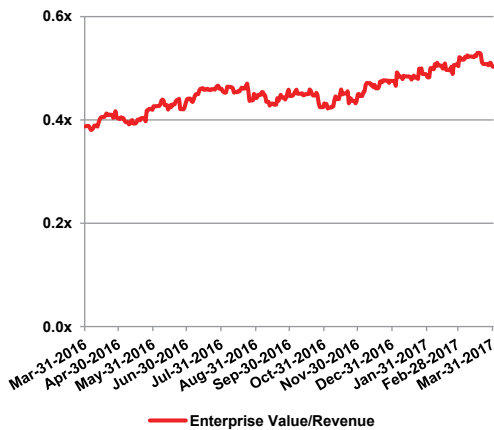
### Twelve Month Index Returns



### Company Returns

	12 Month	3 Month
Engineering & Construction Index	46.4%	5.4%
Baran Group	60.8%	92.8%
China Communications Services	43.8%	3.0%
COMSYS Holdings	14.4%	-7.1%
Dycom	43.7%	15.8%
Mastec	97.9%	4.7%
MIRAIT Holdings	22.0%	3.5%
TSS	-29.4%	180.4%
WPCS	-0.7%	8.7%

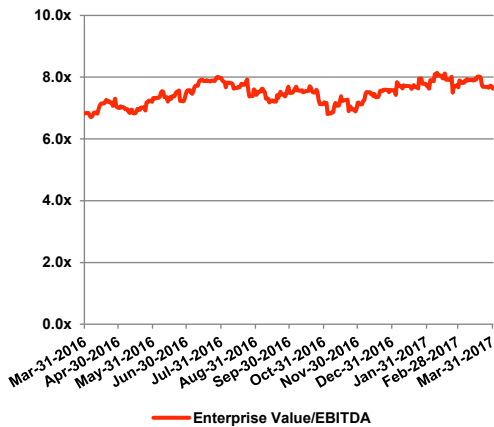
### Revenue Multiple Trends



### Company Revenue Multiples

	3/31/2017	3/31/2016
Engineering & Construction Index	0.5x	0.4x
Baran Group	0.3x	0.2x
China Communications Services	0.2x	0.2x
COMSYS Holdings	0.6x	0.5x
Dycom	1.2x	1.2x
Mastec	0.8x	0.6x
MIRAIT Holdings	0.3x	0.2x
TSS	0.1x	0.2x
WPCS	0.2x	0.1x

### EBITDA Multiple Trends



### Company EBITDA Multiples

	3/31/2017	3/31/2016
Engineering & Construction Index	7.6x	6.8x
Baran Group	NM	NM
China Communications Services	5.9x	4.3x
COMSYS Holdings	6.6x	5.6x
Dycom	8.8x	8.9x
Mastec	9.7x	11.4x
MIRAIT Holdings	7.4x	5.8x
TSS	NM	NM
WPCS	NM	NM

Source: Capital IQ

## FOCUS Telecom Technology and Services Team



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Rich Pierce has more than ten years of investment banking experience advising middle market clients on a variety of mergers and acquisitions and capital raising transactions. During that time, Mr. Pierce's primary emphasis has been on serving clients in the telecommunications industry including providers of network related hardware and software products, wireless, and wireline telecommunications service providers and network engineering and construction companies.



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John Bradshaw has over 30 years experience in sales, marketing, manufacturing, finance, and systems engineering with corporations specializing in technology-driven business products and services. Mr. Bradshaw has been a successful senior executive and manager in both large and small organizations, and has spent the last 15 years working with entrepreneurial companies. Mr. Bradshaw has particular expertise in enterprise communications and contact center related technology.



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David Freeland, a FOCUS Principal, 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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Eric Oganessoff has conducted over forty M&A, debt, and capital raise transactions with an aggregate value of over \$300 million and has served as the CEO or President of several companies. Mr. Oganessoff has over twenty years of senior executive level experience in leading businesses ranging from wireless solutions, software, and RFID services to manufacturing, industrial products, energy, and environmental products and government contracting.

## About FOCUS Investment Banking LLC

FOCUS Investment Banking LLC provides a range of middle market investment banking services with an emphasis on mergers, acquisitions, divestitures and corporate finance. FOCUS is a national firm serving clients from offices in major cities across the United States. FOCUS specializes in business units with transactions or revenues in the \$5-300 million range, serving entrepreneurs, corporate owners and various types of investors across a broad range of industries, throughout the U.S. and worldwide. 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 and member FINRA/SIPC. For more information on FOCUS, visit [www.focusbankers.com](http://www.focusbankers.com).

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