

# 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

Unfortunately the FOCUS Telecom Business Services Index (TBSI) was not immune from the storm that hit the capital markets this period. The sector plummeted 27.2% over the past three months, which significantly underperformed both the 20.0% drop in the S&P 500 and the 14.2% drop in the NASDAQ over the corresponding time period. The situation is similar for the full year period as the 9.1% drop in the TBSI was greater than the 8.8% and 0.4% drops in the S&P 500 and NASDAQ, respectively. Interestingly, the sector revenue multiple held steady compared to this same time last year at 0.4x. However, the EBITDA multiple for the sector fell precipitously from 9.2x a year ago to 6.6x currently.

## Distributors and Logistics Services

The Distributors and Logistics Services sub sector was the harder hit of the TBSI's two sub sectors with a three-month decline of nearly 30%. Every stock in the sub sector showed a double-digit loss except for Tech Data, which was still awaiting the finalization of its take private transaction. Companies that were particularly hard hit included TESSCO (down 56.4%), Insight (down 40.1%) and CDW (down 34.7%). Even with this period's losses, the sub sec-

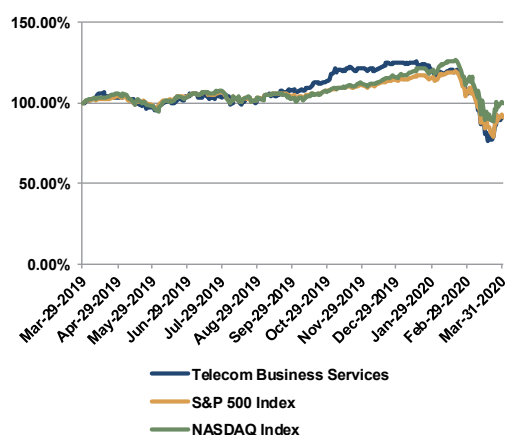
tor is only down 0.8% year-over-year. In fact, three of the companies in the sub sector (ADDvantage Technologies, PC Connection and Tech Data) are still trading meaningfully higher than they were at this same time last year. Sub sector multiples also held fairly steady compared to the year-ago period. The sub sector revenue multiple remained flat at 0.4x, while the EBITDA multiple dipped from 10.8x to 9.4x.

## Engineering and Construction

The Engineering and Construction sub sector held up slightly better than its counterpart, "only" falling 22.2% in the last three months. No company escaped unscathed, and Dycom and Mastec, the two major companies in the U.S. market, both shed nearly half of their value. The sub sector is also down 20.4% in the past year, with every company except TSS exhibiting a negative return. Dycom and Mastec were also the two heaviest hit companies over the full year time period. Unlike the Distributors and Logistics Services sub sector, Engineering and Construction sub sector multiples dropped sharply. Sub sector multiples ended the period at a mere 0.3x revenue and 4.0x EBITDA. This compares to year-ago multiples of 0.5x revenue and 7.3x EBITDA.

# Telecom Business Services: Public Market Summary

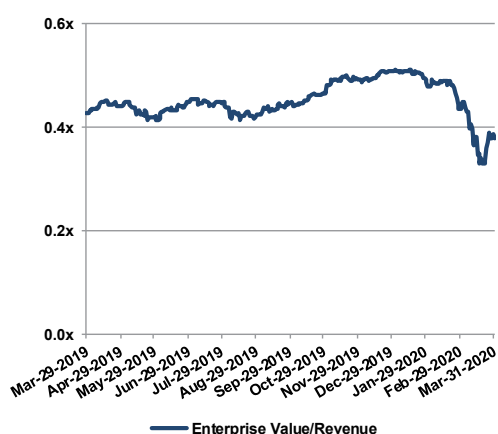
## Twelve Month Index Returns



## Sector and Sub Sector Returns

	12 Month	3 Month
Telecom Business Services	-9.1%	-27.2%
Distributors and Logistics Services	-0.8%	-29.8%
Engineering and Construction	-20.4%	-22.2%
S&P 500	-8.8%	-20.0%
NASDAQ	-0.4%	-14.2%

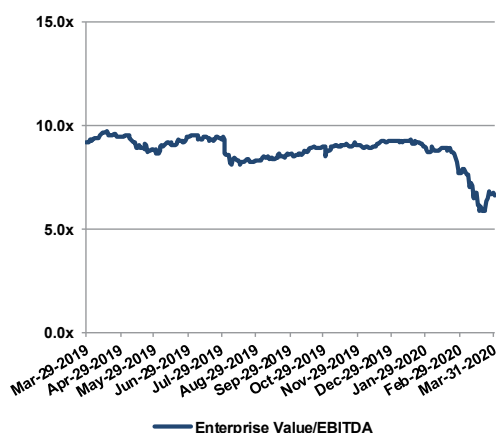
## Revenue Multiple Trends



## Sector and Sub Sector Revenue Multiples

	3/31/2020	3/31/2019
Telecom Business Services	0.4x	0.4x
Distributors and Logistics Services	0.4x	0.4x
Engineering and Construction	0.3x	0.5x

## EBITDA Multiple Trends



## Sector and Sub Sector EBITDA Multiples

	3/31/2020	3/31/2019
Telecom Business Services	6.6x	9.2x
Distributors and Logistics Services	9.4x	10.8x
Engineering and Construction	4.0x	7.3x

Source: Capital IQ

# M&A Summary Comments

## M&A

The number of transactions in the Telecom Business Services sector actually picked up somewhat from our last report with a total of 35 announced deals. However, the total announced dollar volume of transactions was at a near record low of only \$9.7 million. Given the current market dynamics we certainly expect this to be a difficult year for M&A in the sector, particularly in the middle two quarters of the year.

## Distributors and Logistics Services

There were 22 total transactions in the Distributors & Logistics Services sub sector over the past three months. Audiovisual and videoconferencing specialists were particularly active this period with a hat trick of transactions. First, Marlin Equity Partners acquired a majority stake in AVI-SPL from fellow private equity firm H.I.G. Capital and merged the business with its portfolio company Audio Fidelity Communications Corporation. In the second transaction in the space, York Telecom acquired Video Corporation of America. Finally, we noted that Baird Capital Partners made a platform equity investment in Vega Technology. Outside of the audiovisual and video conferencing area, we noted that OEP Capital Advisors notched two transactions this period with its acquisitions of MCL Com-

puter & Zubehor and Computer Design and Integration. In addition, Brightstar Capital portfolio company Global Resale acquired IT refurbishment and repair company CFA trading

## Engineering and Construction

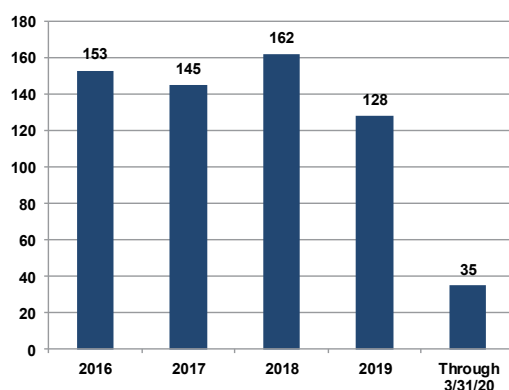
The pace of M&A activity in the Engineering and Construction sub sector was also robust with 13 transactions this period. Two of these involved companies that switched private equity backers. Calera Capital acquired Thayer Power and Communications (previously owned by The Anderson Group) and New Mountain Capital acquired Pearce Services (previously owned by Willcrest Partners). Mastec made a relatively rare acquisition of a company in the wireline space this period with its purchase of Decisive Communications, while Affluence inked a pair of acquisitions of wireless infrastructure services companies. In the final E&C transaction that we will note, Samsung made a rare acquisition in the U.S. market with its pick up of wireless network design, testing and optimization company TeleWorld Solutions.

## Transactions with Multiples

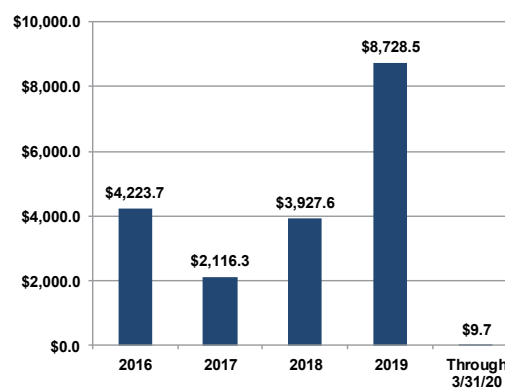
There were no new transactions with announced multiples in our spring reporting period.

## Telecom Business Services: M&A Summary

M&A Activity: Number of Transactions



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



## M&A Announced Transactions (1/1/20 – 3/31/20)

Acquiror	Target	Sector	Date Announced	Purchase Price	Description
Calera Capital	Thayer Power and Communications	Telecom Engineering and Construction	3/30/20	NA	Construction services for broadband, wireless and fiber infrastructure, as well as power lines and civil construction.
Loop1	Xlate Group	Distributors & Logistics Services	3/26/20	NA	Cisco Premier Partner with specializations in enterprise networking, unified communications and Webex collaboration.
OEP Capital Advisors	MCL Computer & Zubehör	Distributors & Logistics Services	3/24/20	NA	Provides IT consulting services and resells hardware and software including networking, workspace, data centers, security and cloud.
Direct Voice and Data	Logical Telecom	Distributors & Logistics Services	3/23/20	NA	Designs, installs, and supports telecommunications systems for businesses in the U.K.
Global Resale	CFA Trading	Distributors & Logistics Services	3/20/20	NA	Refurbishment, repair and upgrade services for computers, mobile devices and other IT assets.
New Mountain Capital	Pearce Services	Telecom Engineering and Construction	3/17/20	NA	Repair, maintenance and engineering services for wired and wireless telecommunications infrastructure.
The Wesbell Group of Companies	Vista Telecom Networks	Telecom Engineering and Construction	3/10/20	NA	Specialized microwave installation and commissioning services to the wireless, oil and gas, government and utility sectors.
Evernex	StorEx	Distributors & Logistics Services	3/3/20	NA	Maintenance services for datacenter hardware and IT assets such as servers, storage and network equipment in East and South Africa.
General Datatech	Integrated Archive Systems	Distributors & Logistics Services	3/3/20	NA	Systems integration services for businesses including storage, networking, security and virtualization.
Dialog Broadband Networks	VSIS Enterprise Solutions	Distributors & Logistics Services	2/28/20	NA	Provides information and communications technology solutions.
İndeks Bilgisayar	Neteks Teknoloji Ürünleri	Distributors & Logistics Services	2/28/20	\$1.5	Distributes information technology, communication network, network security, convergence and sound solutions in Turkey.
Midwich Australia	Vantage Systems	Distributors & Logistics Services	2/28/20	NA	Systems integration services for secure cloud or premise-based unified collaboration managed services in Australia.
Mastec	Decisive Communications	Telecom Engineering and Construction	2/27/20	NA	Turn-key engineering and construction solutions for the broadband, telecommunications and wireless industries.
Advatec Solutions	Telefonkabl	Telecom Engineering and Construction	2/26/20	\$2.1	Engages in the planning, building and maintenance of telecommunication and public infrastructure in Serbia.
Epsidon Technology Holdings	Nology	Distributors & Logistics Services	2/18/20	NA	Distributes converged IP solutions to service providers, network operators, systems integrators and resellers across Southern Africa.
Enertech	CMS Wireless	Telecom Engineering and Construction	2/14/20	NA	Turnkey services for the wireless industry throughout Arkansas, Oklahoma, Missouri, Mississippi and Western Tennessee.
Astra Capital Management	Communication Technology Services	Telecom Engineering and Construction	2/11/20	NA	Wireless products and services including the design, installation and operation of in-building wireless networks and technology.
Converge Technology Partners	PCD Solutions	Distributors & Logistics Services	2/10/20	NA	IT systems infrastructure including enterprise system architecture, storage and information management, virtualization and cloud.
AVI-SPL	Audio Fidelity Communications Corporation	Distributors & Logistics Services	2/5/20	NA	Technology integrator, with expertise in AV, collaboration and modern workplace solutions.
Marlin Equity Partners	AVI-SPL	Distributors & Logistics Services	2/5/20	NA	Designs, integrates and distributes audio and videoconferencing and collaboration systems worldwide.
York Telecom	Video Corporation of America	Distributors & Logistics Services	2/5/20	NA	Designs, engineers, integrates, manages and maintains technology systems for businesses.
Convergint Technologies	Cerberus Technologies	Distributors & Logistics Services	2/3/20	NA	Systems integrator with customers in the mining, local government, logistics and transportation markets.
Rosenberger-OSI	Hau GmbH & Co.	Telecom Engineering and Construction	2/3/20	NA	Installation and maintenance of data cables, copper networks and fiber optic cables.
GetSwift	Logo	Distributors & Logistics Services	2/2/20	\$6.1	Telecommunications integration services for the public and private sector in Serbia and surrounding countries.
Affluence	RAS Engineering	Telecom Engineering and Construction	1/23/20	NA	Telecom infrastructure engineering and design services for businesses and government agencies.
Affluence	5 Stems	Telecom Engineering and Construction	1/23/20	NA	Telecom infrastructure services for wireless operators including tower construction, engineering and maintenance services.
Baird Capital Partners	Vega Technology	Distributors & Logistics Services	1/15/20	NA	System integration and managed services for audio-visual solutions, video conferencing and collaboration technologies.
Bechtle	Wide Technology Partners	Distributors & Logistics Services	1/13/20	NA	Information technology services such as networking, data center, voice and security services.

## M&A Announced Transactions (1/1/20 – 3/31/20), continued

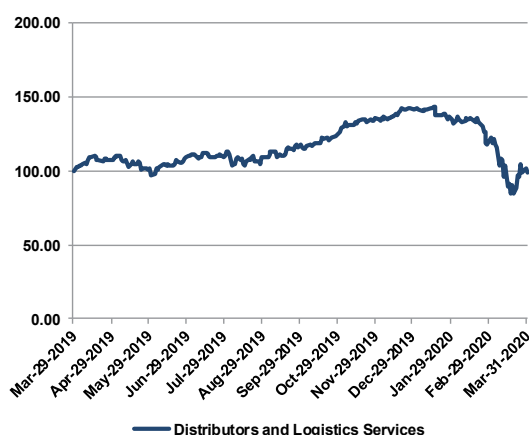
Acquiror	Target	Sector	Date Announced	Purchase Price	Description
Entisys360	Performance Technology Partners (Cybersecurity Business)	Distributors & Logistics Services	1/13/20	NA	Provides cybersecurity technology and support solutions.
Samsung	TeleWorld Solutions	Telecom Engineering and Construction	1/13/20	NA	Network design, testing and optimization services to mobile service and cable operators, equipment OEMs and other companies.
Digitcom	Algo Communication Products (Interconnect Division)	Distributors & Logistics Services	1/10/20	NA	Telecommunication systems and related products and applications to businesses, large contact centers and other institutions.
Genwave Technologies	GWI Telecom	Telecom Engineering and Construction	1/10/20	NA	Installation and test services for in-building distributed antenna systems, Wi-Fi systems and datacomm/structured cabling.
Total Network Consulting	T3 Communications Services	Distributors & Logistics Services	1/7/20	NA	IT-focused design, installation and support services for small and medium-sized businesses in the Charlotte, North Carolina area.
CBRE Group	New England Fiber	Telecom Engineering and Construction	1/6/20	NA	Provides telecommunications integration and data center and colocation infrastructure services for businesses.
OEP Capital Advisors	Computer Design and Integration	Distributors & Logistics Services	1/6/20	NA	Provides technology solutions such as cloud, networking and data center, security, mobility and storage.

## M&A Announced Transactions with Revenue Multiples (4/1/19 – 3/31/20)

Acquiror	Target	Sector	Date Announced	Purchase Price	Revenue Multiple	EBITDA Multiple	Description
Apollo Global Management	Tech Data	Distributors & Logistics Services	11/13/19	\$5,604.7	0.2 x	7.5 x	IT distribution and solutions company offering a broad portfolio of solutions from endpoint products to data center technologies.
Converge Technology Partners	Datatrend Technologies	Distributors & Logistics Services	10/3/19	\$17.5	0.2 x	5.6 x	Consulting, planning and designing of data centers and multi-cloud environments as well as cabling and wireless solutions.
BC Partners	Presidio	Distributors & Logistics Services	8/14/19	\$2,312.6	0.8 x	10.5 x	Digital infrastructure solutions that enable clients to deploy IT infrastructure for networking, collaboration and enterprise mobility.
VINCI Energies	Eitel (Polish Communications Business)	Telecom Engineering and Construction	8/6/19	\$14.2	0.6 x	NA	Maintenance, upgrade and project work for telecom operators and other communications network owners in Poland.
Insight Enterprises	PCM	Distributors & Logistics Services	6/24/19	\$618.7	0.3 x	10.9 x	Multi-vendor provider of technology products and solutions in the United States and Europe.
Yarix	Gencom	Distributors & Logistics Services	5/13/19	\$5.6	0.5 x	NA	Offers collaboration, networking, security and datacenter solutions.

## Sub Sector Analysis: Distributors and Logistics Services

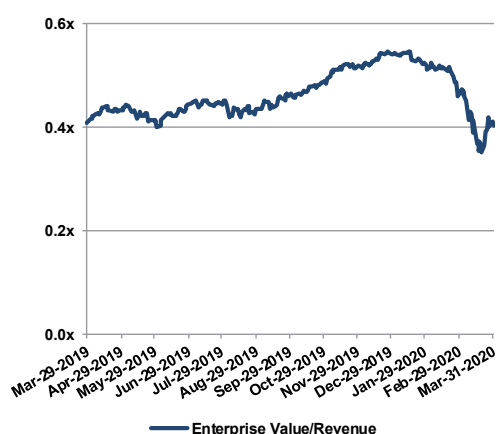
### Twelve Month Index Returns



### Company Returns

	12 Month	3 Month
Distributors and Logistics Index	-0.8%	-29.8%
ADDvantage Technologies	60.6%	-10.6%
CDW	-3.2%	-34.7%
ePlus	-29.3%	-25.7%
Insight	-23.5%	-40.1%
PC Connection	12.4%	-17.0%
Tech Data	27.8%	-8.9%
TESSCO	-68.4%	-56.4%

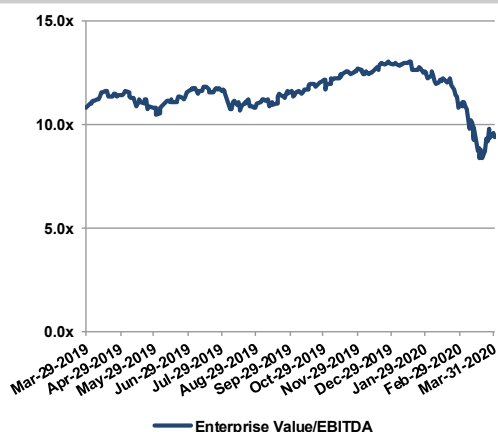
### Revenue Multiple Trends



### Company Revenue Multiples

	3/31/2020	3/31/2019
Distributors and Logistics Index	0.4x	0.4x
ADDvantage Technologies	0.5x	0.5x
CDW	0.9x	1.1x
ePlus	0.7x	1.0x
Insight	0.3x	0.3x
PC Connection	0.4x	0.3x
Tech Data	0.1x	0.1x
TESSCO	0.2x	0.2x

### EBITDA Multiple Trends



### Company EBITDA Multiples

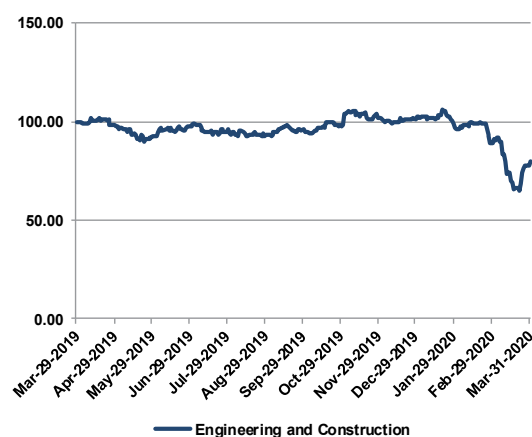
	3/31/2020	3/31/2019
Distributors and Logistics Index	9.4x	10.8x
ADDvantage Technologies	NM	NM
CDW	12.2x	14.1x
ePlus	8.9x	12.8x
Insight	8.4x	8.4x
PC Connection	8.0x	8.7x
Tech Data	7.5x	6.0x
TESSCO	NM	12.3x

Source: Capital IQ



## Sub Sector Analysis: Engineering and Construction

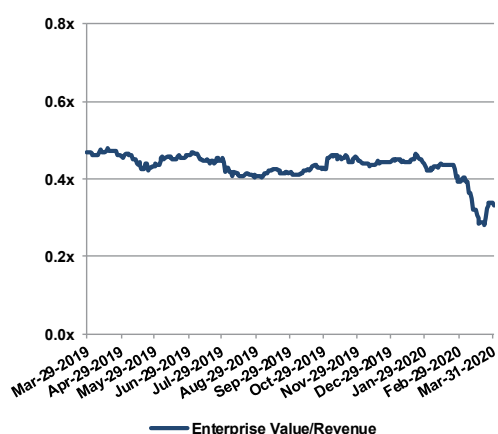
### Twelve Month Index Returns



### Company Returns

	12 Month	3 Month
Engineering and Construction Index	-20.4%	-22.2%
Baran Group	-26.1%	-1.5%
China Communications Services	-18.4%	-0.2%
COMSYS Holdings	-5.1%	-10.2%
Dycom	-44.2%	-45.6%
Mastec	-32.0%	-49.0%
MIRAIT Holdings	-14.2%	-17.5%
TSS	29.9%	-37.4%

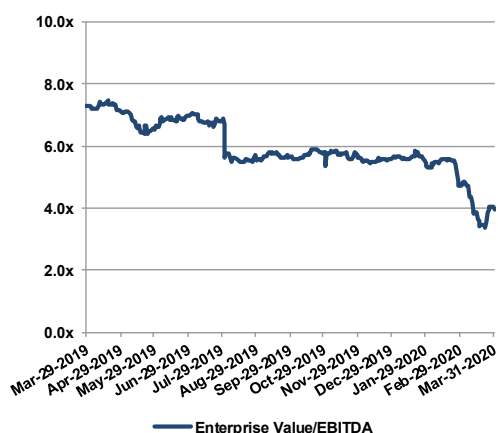
### Revenue Multiple Trends



### Company Revenue Multiples

	3/31/2020	3/31/2019
Engineering and Construction Index	0.3x	0.5x
Baran Group	0.3x	0.3x
China Communications Services	0.1x	0.2x
COMSYS Holdings	0.6x	0.8x
Dycom	0.5x	0.7x
Mastec	0.6x	0.7x
MIRAIT Holdings	0.3x	0.5x
TSS	0.4x	0.4x

### EBITDA Multiple Trends



### Company EBITDA Multiples

	3/31/2020	3/31/2019
Engineering and Construction Index	4.0x	7.3x
Baran Group	6.3x	7.7x
China Communications Services	3.7x	6.1x
COMSYS Holdings	7.3x	9.6x
Dycom	5.5x	6.9x
Mastec	5.0x	7.3x
MIRAIT Holdings	5.4x	7.4x
TSS	15.5x	4.6x

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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## **HEADQUARTERS**

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