

FOCUS

Investment Banking

Telecom Technology and Services Group

Telecom Business Services Quarterly



Investment Banking and Advisory Services

FOCUS Investment Banking LLC is a leading investment bank with specialized telecom technology and services expertise, concentrating on providing highly tailored services to emerging middle market and larger organizations in this sector:

- Mergers & Acquisition Advisory
- Corporate Development Consulting
- Strategic Partnering & Alliances
- Capital Financing, Debt & Equity
- Corporate Valuations

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Telecom Business Services Quarterly

By **Richard Pierce**, FOCUS Managing Director and Telecom Technology and Services Team Leader

FOCUS believes that the Telecom Business Services sector is an attractive (and often overlooked) segment of the telecom market. The companies in this sector perform services such as distributing communications-related products, designing and installing communications infrastructure and providing repair and other logistics services for both communications service providers and businesses. These companies often benefit from the same exciting trends that drive growth in the larger telecommunications industry. However, as professional services businesses they tend to be much less capital-intensive than network-based telecommunications service providers. Furthermore, they typically face little threat from shifts in technology. In fact, more often than not they benefit from technology shifts as upgrade cycles drive client demand for their services and expertise. FOCUS is proud of its commitment to the Telecom Business Services sector and we are excited about the prospects for companies in this space.

The FOCUS Telecom Technology and Services group consists of two professionals with a combined 30+ years of transaction experience across a wide variety of telecommunications-related companies. The FOCUS Telecom team is uniquely qualified to help middle market clients reach their strategic objectives because the group:

- Devotes significant senior level resources to executing transactions for lower middle market clients,
- Has a breadth of knowledge that covers most segments of the telecom industry,

- Has seasoned bankers with decades of telecom industry experience,
- Has a proven transaction methodology for delivering results,
- Is equally comfortable with buy side and sell side M&A,
- Leverages an experienced team of research professionals,
- Has a national presence with coverage of both east and west coasts.

Sub Sector Definitions

Distributors and Logistics Services: This sub sector includes companies that distribute communications-related products or that provide repair, refurbish and other supply chain management solutions. Companies in this segment may serve either telecom service providers, businesses or both.

Engineering and Construction: Engineering and Construction companies provide a variety of services including network planning and design, systems integration, installation and construction. Customers are primarily service providers but may also include large enterprises and governments.

Summary Comments

Public Markets

The FOCUS Telecom Business Services Index (TBSI) benefitted from the overall market correction to March's downturn and grew 17.4% over the past three months. Despite this strong performance, the sector still underperformed both the 20.0% gain in the S&P 500 and the 30.6% rise in the NASDAQ over the corresponding time period. The trend is similar for the full year period as the TBSI dropped 2.5% compared to 5.4% and 25.6% increases in the S&P 500 and NASDAQ indices, respectively. The sector revenue multiple held steady compared to this same time last year at 0.6x. However, the EBITDA multiple for the sector fell from 8.6x a year ago to 7.4x currently after a March low of 5.9x.

Distributors and Logistics Services

The Distributors and Logistics Services sub sector was the stronger performer of the TBSI's two sub sectors with a three-month gain of 22.5%. Every stock in the sub sector showed a double-digit gain, including ADDvantage Technologies (up 56.4%), CDW (up 24.6%) and Insight (up 16.8%). Even with this period's major gains, the sub sector is still up only 3.3% year-over-year. In fact, two companies in the index (Insight and TESSCO) still trade 15.5% and 69.2% lower than they were at this same time

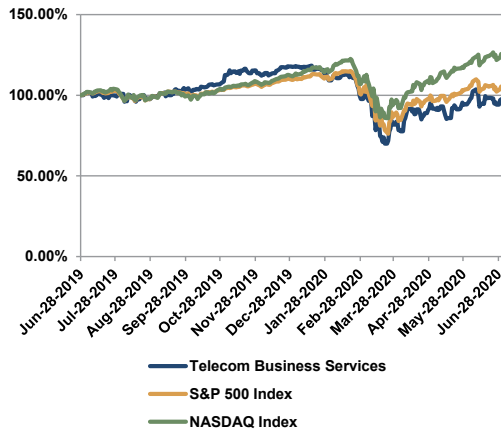
last year, respectively. Sub sector multiples also held fairly steady compared to the year-ago period after rebounding from March lows. The sub sector revenue multiple fell slightly from 0.9x to 0.8x, while the EBITDA multiple dipped from 13.1x to 11.8x.

Engineering and Construction

The Engineering and Construction sub sector rebounded less strongly than its counterpart, rising 10.8% in the last three months. On the plus side, U.S. bellwethers Dycom and Mastec both had strong gains, as Dycom gained 59.4% and Mastec gained 37.1%. The primary drag on the index was China Communications Services, which not only failed to participate in the general market rebound but actually dropped 14.5% in the past three months. The sub sector is still down 9.9% compared to the year-ago period, with four out of seven companies exhibiting negative returns. This included both Dycom (down 30.5%) and Mastec (down 12.9%). While Engineering and Construction sub sector multiples recovered somewhat from March lows, they still remain lower than they were at this same time last year. Sub sector multiples ended the period at 0.4x revenue and 4.3x EBITDA. This compares to year-ago multiples of 0.5x revenue and 5.6x EBITDA.

Telecom Business Services: Public Market Summary

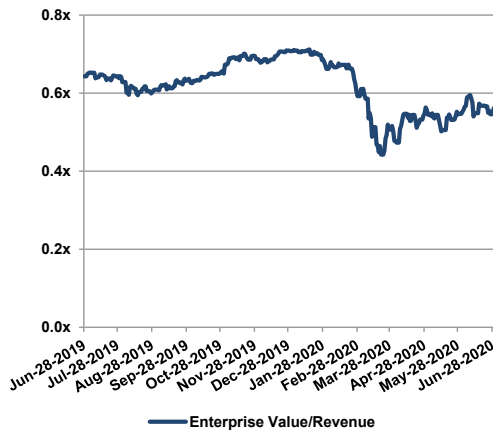
Twelve Month Index Returns



Sector and Sub Sector Returns

	12 Month	3 Month
Telecom Business Services	-2.5%	17.4%
Distributors and Logistics Services	3.3%	22.5%
Engineering and Construction	-9.9%	10.8%
S&P 500	5.4%	20.0%
NASDAQ	25.6%	30.6%

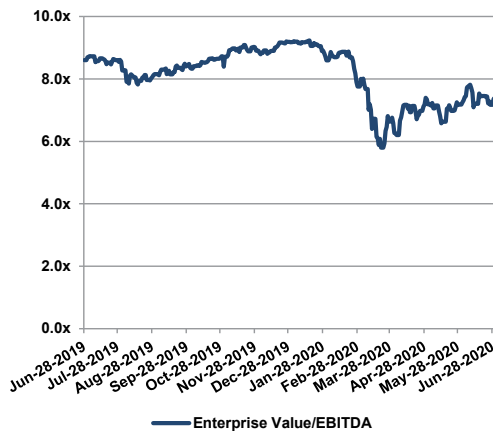
Revenue Multiple Trends



Sector and Sub Sector Revenue Multiples

	6/30/2020	6/30/2019
Telecom Business Services	0.6x	0.6x
Distributors and Logistics Services	0.8x	0.9x
Engineering and Construction	0.4x	0.5x

EBITDA Multiple Trends



Sector and Sub Sector EBITDA Multiples

	6/30/2020	6/30/2019
Telecom Business Services	7.4x	8.6x
Distributors and Logistics Services	11.8x	13.1x
Engineering and Construction	4.3x	5.6x

Source: Capital IQ

M&A Summary Comments

M&A

The number of M&A transactions in the Telecom Business Services sector fell from our last report with a total of 25 announced deals. The total announced transaction dollar volume did increase somewhat from the \$9.7 million in our spring report, but was still relatively anemic at only \$26.2 million. The current economic environment certainly seems to be weighing in on the level of M&A activity, both in terms of the total number of deals and their size.

Distributors and Logistics Services

There were 15 total transactions in the Distributors & Logistics Services sub sector over the past three months, which is significantly lower than the number of deals that we typically see. The audiovisual space continued to be active on both sides of the pond. In the U.S., private equity firm Wind Point Partners acquired Corbett Technology Solutions, while in Europe Kinly acquired AVM Impact. We also noted the acquisition of Samsung phone repair specialist WeFix by Brightstar, as well as acquisitions by Park Place Technologies and Evernex of companies in the third-party data center maintenance space. Finally, Avtex continued to roll up systems integrators in the contact center space with its acquisition of the contact center business from Communications Products.

Engineering and Construction

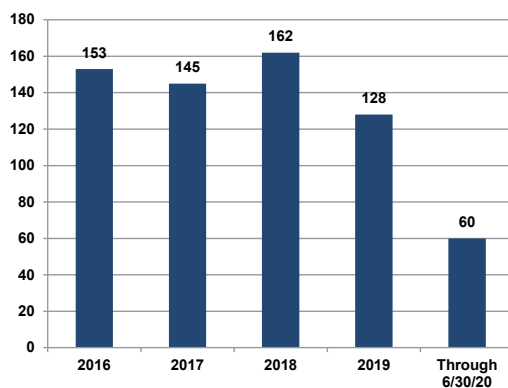
While the pace of M&A activity in the Engineering and Construction sub sector declined somewhat from the level in our spring report, it still remained robust with 10 transactions for the period. Borgman Capital completed a pair of acquisitions with the purchase of Communication Builders and Sky Telecom. These companies will be consolidated into Borgman's AscendTek platform. We also saw Electricom makes its first acquisition since it received an investment from KLH Capital with the pickup of fiber optic installation and maintenance company DataWatt Solutions. Another newcomer to the M&A scene this period was TriStrux, a new company formed from the merger of Telcom Engineering Group and Leone Electric. In the final E&C transaction that we will note, NTI Connect acquired Precision Design Services to merge with NTI's National Technologies fiber optic engineering business.

Transactions with Multiples

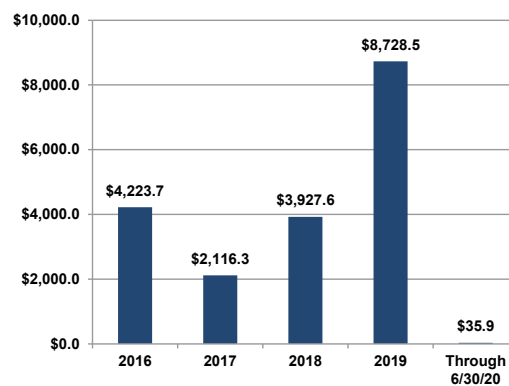
Our summer reporting period had only a single transaction with an announced transaction multiple. This was WILL-TEC's acquisition of refurbished office phone vendor Thousandplan for \$5.1 million. The multiple for this transaction was 1.0x revenue.

Telecom Business Services: M&A Summary

M&A Activity: Number of Transactions



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



M&A Announced Transactions (4/1/20 – 6/30/20)

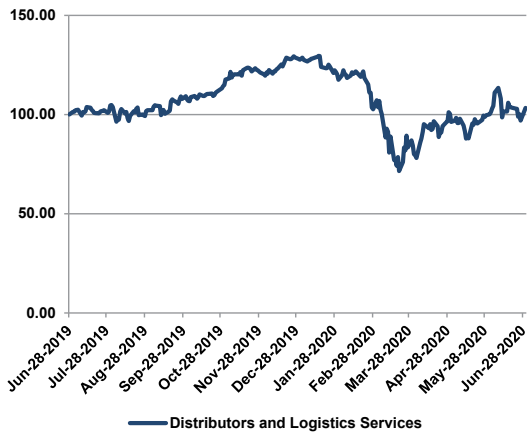
Acquiror	Target	Sector	Date Announced	Purchase Price	Description
Comfica Servicios Integrales	Dominion Networks	Telecom Engineering and Construction	6/30/20	\$15.2	Network construction, maintenance and infrastructure support services to the telecom industry in Spain.
Agora Holdings	Fit Network Comercio e Servicos de Informatica	Distributors & Logistics Services	6/26/20	\$1.0	Security, networking and connectivity, and unified communication solutions for corporate clients in Brazil.
LeadDesk	Nordcom	Distributors & Logistics Services	6/26/20	\$0.6	Designs and installs information and communication technologies solutions for businesses in Finland.
NTI Connect	Precision Design Services	Telecom Engineering and Construction	6/24/20	NA	Design, engineering and project management for telecommunications networks in the greater New York metro area.
Wind Point Partners	Corbett Technology Solutions	Distributors & Logistics Services	6/23/20	NA	Designs, installs and maintains audiovisual, sound, safety, healthcare and education communications technology solutions.
Evernex	Technogroup IT-Service	Distributors & Logistics Services	6/22/20	NA	Repair, support and maintenance services for hardware and software in data centers in Germany and internationally.
Champion Optical Network Engineering	Approved Networks	Distributors & Logistics Services	6/18/20	NA	Programming, testing and distribution services of third party optical networking hardware for data centers, businesses and government.
WILLTEC	Thousandplan	Distributors & Logistics Services	6/17/20	\$5.1	Engages in the purchase and sale of used office phones and other office automation equipment.
Tamburi Investment Partners	ITH	Distributors & Logistics Services	6/10/20	NA	Distributes information technology hardware and software products including servers, storage and networking equipment.
CloudScale365	Moore Communications	Distributors & Logistics Services	6/9/20	NA	Avaya partner providing cloud and premise-based voice, video and access solutions to businesses in the Philadelphia metro area.
Kinly	AVM Impact	Distributors & Logistics Services	6/2/20	NA	Design, delivery and maintenance of audio visual and digital media technology systems for businesses globally.
Park Place Technologies	Custom Hardware Engineering & Consulting	Distributors & Logistics Services	6/2/20	NA	Third-party maintenance provider for storage, server and networking equipment with a focus on the government vertical.
Borgman Capital	Communication Builders	Telecom Engineering and Construction	6/1/20	NA	Telecommunications construction services to wireless carriers, broadcasters, local municipalities and public works organizations.
Borgman Capital	Sky Telecom	Telecom Engineering and Construction	6/1/20	NA	Provides cell tower infrastructure construction services.
Electricom	DataWatt Solutions	Telecom Engineering and Construction	6/1/20	NA	Installation, maintenance and emergency restoration services for fiber optic network operators in North and South Carolina.
Sirius Computer Solutions	Virtual Enterprises	Distributors & Logistics Services	6/1/20	NA	Design, implementation and consulting services for data center infrastructure and data management needs.
Avtex	Communications Products (Contact Center Business)	Distributors & Logistics Services	5/21/20	NA	Systems integrator for Genesys cloud-based contact center software.
TriStruX	Leone Electric	Telecom Engineering and Construction	5/21/20	NA	Electrical services for telecom networks including utility coordination and design, installation, upgrades, power distribution and wiring.
Genesis Network Enterprises	Onepath (Field Services Business)	Telecom Engineering and Construction	5/5/20	NA	Site surveys, installations and repairs, wiring and customer premise equipment for voice, data, video and physical security solutions
Wayside Technology Group	Interwork Technologies	Distributors & Logistics Services	4/22/20	\$4.3	Value-added distributor of cybersecurity, information management and network software, hardware and services to businesses.
Altruist Technologies	CSS Corp (Glow Networks)	Telecom Engineering and Construction	4/20/20	NA	Field support, network design, installation and integration, and validation services for telecom OEMs and service providers.
Brightstar	WeFix	Distributors & Logistics Services	4/20/20	NA	On-demand remote mobile phone repair services, with an emphasis on Samsung devices, for consumers and businesses in the UK.
Mill Point Capital	Knight Enterprises	Telecom Engineering and Construction	4/14/20	NA	Engineering, construction and maintenance services for underground and aerial fiber and coaxial cable.
Matrix Integration	Cornwell Communications	Distributors & Logistics Services	4/7/20	NA	Telecommunications integration services for businesses including installation and maintenance of VoIP and hosted systems.
vitronet	Telewenz	Telecom Engineering and Construction	4/2/20	NA	Provides cable network installation services for businesses in Germany.

M&A Announced Transactions with Revenue Multiples (7/1/19 – 6/30/20)

Acquiror	Target	Sector	Date Announced	Purchase Price	Revenue Multiple	EBITDA Multiple	Description
WILLTEC	Thousandplan	Distributors & Logistics Services	6/17/20	\$5.1	1.0 x	NA	Engages in the purchase and sale of used office phones and other office automation equipment.
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	Eltel (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.

Sub Sector Analysis: Distributors and Logistics Services

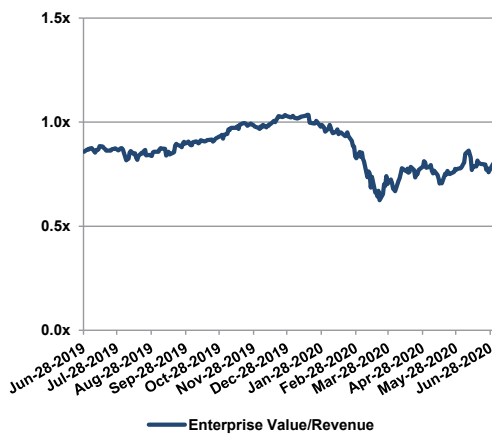
Twelve Month Index Returns



Company Returns

	12 Month	3 Month
Distributors and Logistics Index	3.3%	22.5%
ADDvantage Technologies	117.7%	56.4%
CDW	4.7%	24.6%
ePlus	2.5%	12.9%
Insight	-15.5%	16.8%
PC Connection	32.5%	12.5%
TESSCO	-69.2%	12.5%

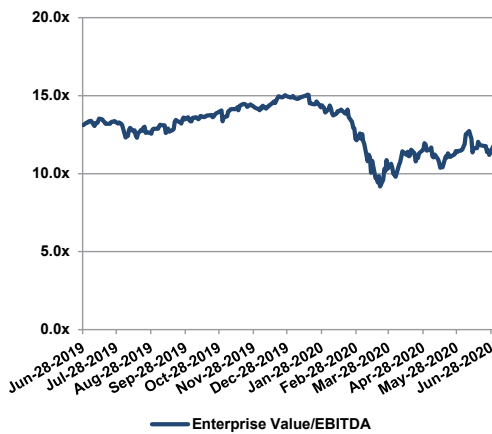
Revenue Multiple Trends



Company Revenue Multiples

	6/30/2020	6/30/2019
Distributors and Logistics Index	0.8x	0.9x
ADDvantage Technologies	0.7x	0.5x
CDW	1.1x	1.2x
ePlus	0.7x	0.7x
Insight	0.3x	0.3x
PC Connection	0.4x	0.3x
TESSCO	0.2x	0.3x

EBITDA Multiple Trends



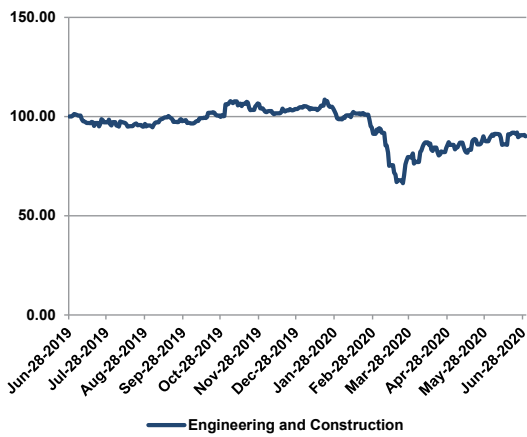
Company EBITDA Multiples

	6/30/2020	6/30/2019
Distributors and Logistics Index	11.8x	13.1x
ADDvantage Technologies	NM	NM
CDW	14.0x	15.6x
ePlus	9.3x	10.2x
Insight	8.9x	8.6x
PC Connection	8.7x	8.2x
TESSCO	NM	16.4x

Source: Capital IQ

Sub Sector Analysis: Engineering and Construction

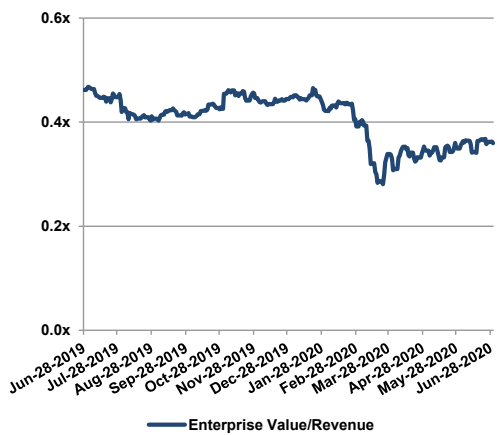
Twelve Month Index Returns



Company Returns

	12 Month	3 Month
Engineering and Construction Index	-9.9%	10.8%
Baran Group	-11.5%	103.4%
China Communications Services	-19.8%	-14.5%
COMSYS Holdings	16.6%	14.2%
Dycom	-30.5%	59.4%
Mastec	-12.9%	37.1%
MIRAIT Holdings	0.8%	19.2%
TSS	12.0%	-17.6%

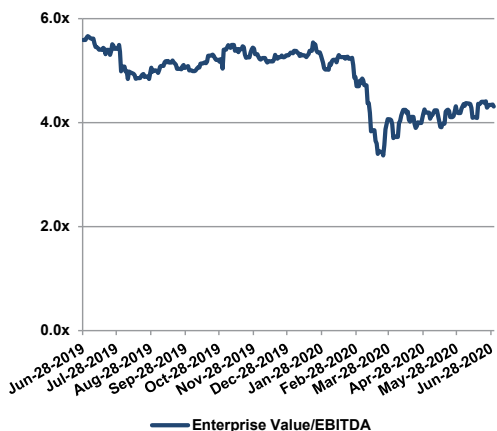
Revenue Multiple Trends



Company Revenue Multiples

	6/30/2020	6/30/2019
Engineering and Construction Index	0.4x	0.5x
Baran Group	0.4x	0.3x
China Communications Services	0.1x	0.1x
COMSYS Holdings	0.7x	0.7x
Dycom	0.6x	0.9x
Mastec	0.7x	0.8x
MIRAIT Holdings	0.4x	0.4x
TSS	0.3x	0.5x

EBITDA Multiple Trends



Company EBITDA Multiples

	6/30/2020	6/30/2019
Engineering and Construction Index	4.3x	5.6x
Baran Group	13.9x	7.2x
China Communications Services	2.3x	4.5x
COMSYS Holdings	7.7x	7.9x
Dycom	7.0x	8.7x
Mastec	6.1x	7.9x
MIRAIT Holdings	6.0x	6.4x
TSS	23.5x	5.6x

Source: Capital IQ

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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.



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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.

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