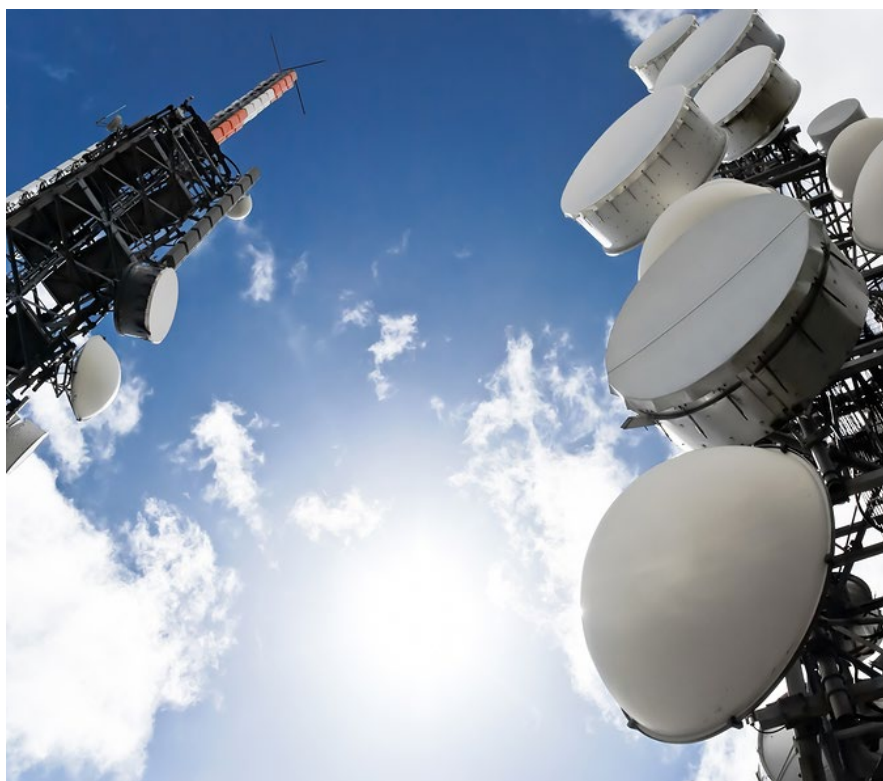


# FOCUS

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

**Spring 2022**

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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) continued to alternate between positive and negative returns each reporting period. Unfortunately, this period was a negative return as the TBSI dropped 7.5% in the past three months. This underperformed the 5.0% drop in the S&P 500 but outperformed the 9.1% loss in the NASDAQ over the corresponding time period. Over the past 12 months the TBSI is in the black with a small gain of 2.3%. However, this return lags both the 14.0% gain in the S&P 500 and the 7.3% gain in the NASDAQ over the past year. Sector multiples are relatively unchanged from a year ago. The TBSI's revenue multiple held steady at 1.0x, while the EBITDA multiple ticked up slightly from 10.7x a year ago to 10.9x at the end of the current reporting period.

## Distributors and Logistics Services

The Distributors and Logistics Services sub sector turned in the worst performance of the TBSI's two sub sectors with a drop of 9.3% in the past three months. Three of the stocks in the sub sector were actually in positive territory for the period, but a 12.6% decline at CDW was enough to pull the whole sub sector deeply into the red. On the plus side, PC Connection shot up more than 20% this period.

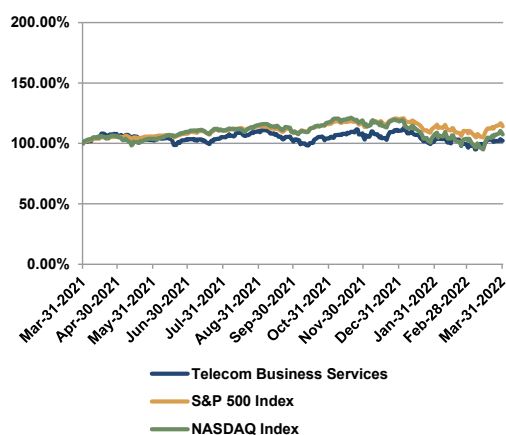
The sub sector is still in positive territory for the full year period with a gain of 8.8%. Three of the companies in the index (ePlus, Insight and PC Connection) enjoyed double digit gains over this time frame, while CDW was up 7.9%. Sub sector multiples closed out the period at 1.1x revenue (the same as a year ago) and 16.2x EBITDA (an increase from 14.7x a year ago).

## Engineering and Construction

While still in negative territory for the past three months, the Engineering and Construction sub sector was the best performing sub sector in the TBSI with a modest loss of 2.5%. The primary reason for the decline was MasTec, which fell 5.6%. Not all companies in the index were down, with Dycom eking out a small gain of 1.6% and Baran Group turning in an impressive 19.3% gain. The sub sector is also in negative territory for the full year period with a decline of 10.2%. COMSYS Holdings was the biggest decliner over this time period with a drop of 28.7%. Similar to the current period, Baran Group and Dycom were the two stocks in the sub sector that are trading higher than they were a year ago. The sub sector revenue multiple remained the same compared to last year at 0.8x. The sub sector EBITDA multiple declined from 6.8x to 6.0x.

# Telecom Business Services: Public Market Summary

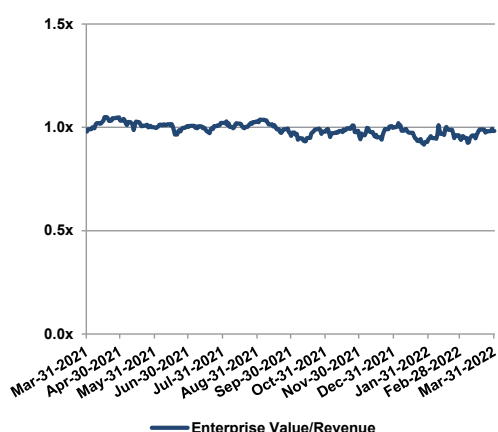
## Twelve Month Index Returns



## Sector and Sub Sector Returns

	12 Month	3 Month
Telecom Business Services	2.3%	-7.5%
Distributors and Logistics Services	8.8%	-9.3%
Engineering and Construction	-10.2%	-2.5%
S&P 500	14.0%	-5.0%
NASDAQ	7.3%	-9.1%

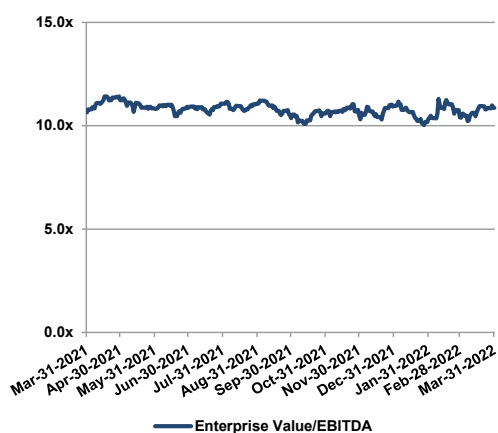
## Revenue Multiple Trends



## Sector and Sub Sector Revenue Multiples

	3/31/2022	3/31/2021
Telecom Business Services	1.0x	1.0x
Distributors and Logistics Services	1.1x	1.1x
Engineering and Construction	0.8x	0.8x

## EBITDA Multiple Trends



## Sector and Sub Sector EBITDA Multiples

	3/31/2022	3/31/2021
Telecom Business Services	10.9x	10.7x
Distributors and Logistics Services	16.2x	14.7x
Engineering and Construction	6.0x	6.8x

Source: Capital IQ

# M&A Summary Comments

## M&A

M&A activity in the Telecom Business Services sector got off to a somewhat tepid start in 2022. The 33 total transactions for the period were below what we typically see, but not markedly so. Total announced transaction dollar volume was very low at only \$40 million. This is the second straight reporting period where M&A activity was relatively light, and it seems fair to say that things have cooled a bit for M&A in the sector since the middle part of 2021.

## Distributors and Logistics Services

For the second straight reporting period we counted 17 total transactions in the Distributors and Logistics Services sub sector. We noted that private equity backed Network Wireless Solutions acquired Gap Wireless, a distributor of wireless infrastructure and test equipment in Canada. In another transaction in the wireless space, KORE Wireless acquired Internet of Things VAR Business Mobility Partners. There was also a new platform company minted in the Distributors and Logistics Services sub sector with the acquisition of General Datatech by H.I.G. Capital. Finally, serial acquirers ConvergeOne and Park Place Technologies both inked transactions this period with acquisitions of Integration Partners and Reliant Technology, respectively.

## Engineering and Construction

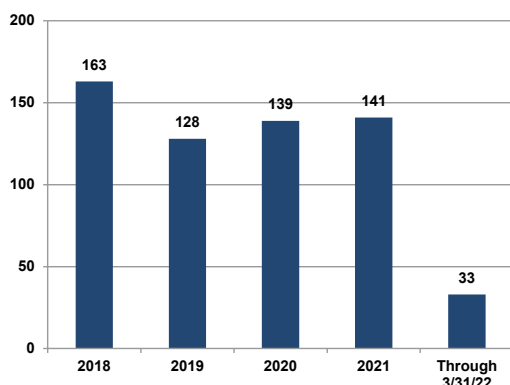
The Telecom Engineering and Construction sub sector enjoyed a very active three-month period with 16 total transactions. Far and away the biggest splash was made by Centerline Communications. In addition to announcing that it was acquired by Audax Private Equity, Centerline also announced a whopping five acquisitions for the period. This included the purchase of private equity-backed J5 Infrastructure Partners. In addition to the various Centerline transactions, ITG Communications also received an investment from Oaktree Capital while Thayer Infrastructure Services acquired wireless construction company Heartland Solutions and National OnDemand acquired installation services provider J&S Communications. Finally, we also noted activity outside the U.S. with the telent Technology Services acquisition of Wrb Solutions and the vitronet acquisition of Kabel-und Tiefbau.

## Transactions with Multiples

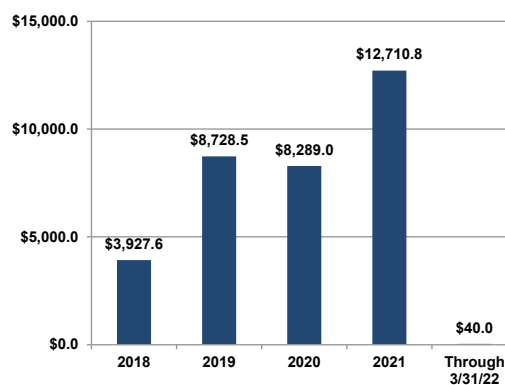
The only transaction with an announced multiple in the Telecom Business Services sub sector this period was in the Distributors and Logistics Services sub sector. This was the Dendrio Solutions acquisition of distributor TOP TECH for 0.2x revenue.

## Telecom Business Services: M&A Summary

M&A Activity: Number of Transactions



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



## M&A Announced Transactions (1/1/22 – 3/31/22)

Acquiror	Target	Sector	Date Announced	Purchase Price	Description
Park Place Technologies	Reliant Technology	Distributors & Logistics Services	3/22/22	NA	Provides datacenter storage, server and network hardware maintenance and support and related services.
Dendrio Solutions	TOP TECH	Distributors & Logistics Services	3/21/22	\$2.7	Distributes IT equipment.
telent Technology Services	Wrb Solutions	Telecom Engineering and Construction	3/15/22	NA	Maintenance, repair and provisioning work on telegraph poles and the overhead telecom network in the United Kingdom.
Centerline Communications	STC Netcom	Telecom Engineering and Construction	3/10/22	NA	Provider of line and antenna services on the West Coast.
Pragma Group	Techland Systems International	Distributors & Logistics Services	3/8/22	NA	Distributes IT equipment for businesses including unified communications and network equipment.
Fortran Corporation	Comconexx	Distributors & Logistics Services	3/4/22	NA	Provides telecom integration, sales and support services for the telecom sector in Florida.
Exigent Technologies	SimpleFly	Telecom Engineering and Construction	2/28/22	NA	Residential and commercial wireless network design, implementation and installation.
Centerline Communications	Leaf Wireless	Telecom Engineering and Construction	2/22/22	NA	Site acquisition and A&E design, small cell, construction management and inbuilding network services.
Thayer Infrastructure Services	Heartland Solutions	Telecom Engineering and Construction	2/22/22	NA	Wireless communications construction company based in Indianapolis, Indiana.
vitronet	Kabel- und Tiefbau	Telecom Engineering and Construction	2/21/22	NA	Fiber optic expansion, cable expansion and trenchless cable laying engineering services.
IC Corporation	FT Communications	Distributors & Logistics Services	2/18/22	NA	Sells network security-related equipment and information technology and communications equipment.
KORE Wireless	Business Mobility Partners	Distributors & Logistics Services	2/17/22	NA	Value added reseller of IOT devices, routers, modems and signal boosters and certified used hardware.
Midwich Group	Nimans	Distributors & Logistics Services	2/8/22	\$37.3	Distributes voice and data communications products including telephone systems and handsets.
Network Wireless Solutions	Gap Wireless	Distributors & Logistics Services	2/7/22	NA	Stocks and distributes thousands of wireless infrastructure and test and measurement products primarily in Canada.
Convergint Technologies	Dramis Communications Solutions	Distributors & Logistics Services	2/3/22	NA	Telecommunications and networking value added reseller serving businesses in Canada.
CenterGate Capital	DecisionOne Corporation	Distributors & Logistics Services	2/2/22	NA	Onsite and remote hardware services, forward/reverse logistics and supply chain management services.
IBM	Sentaca	Telecom Engineering and Construction	2/1/22	NA	5G telecom integration and consulting services including service design and architecture, test and integration and operational support.
Solutions 30 Société Anonyme	Sirtel	Telecom Engineering and Construction	1/31/22	NA	Installation of telecommunications equipment in both wired and wireless telecommunications networks.
Oaktree Capital	ITG Communications	Telecom Engineering and Construction	1/24/22	NA	National provider of fulfillment, construction and project management services to the cable, telecommunications and utility industries.
Quantum Lifecycle Partners	Refficient	Distributors & Logistics Services	1/24/22	NA	Sells reused telecommunications equipment in Canada.
Computer Design and Integration	Clearpath Solutions Group	Distributors & Logistics Services	1/18/22	NA	Dell, Cisco and VMware partner primarily servicing the mid-Atlantic, including Washington D.C., Maryland and Virginia.
Fortran Corporation	M&B Communications	Distributors & Logistics Services	1/18/22	NA	Distributes and installs communication products primarily in North Carolina.
Audax Private Equity	Centerline Communications	Telecom Engineering and Construction	1/11/22	NA	Design, build and maintenance of wireless and wireline network infrastructure.
Centerline Communications	J5 Infrastructure Partners	Telecom Engineering and Construction	1/11/22	NA	Construction management and engineering firm supporting wireless operators and broadband providers in the western United States.
Centerline Communications	Maicom	Telecom Engineering and Construction	1/11/22	NA	Critical infrastructure installation and maintenance for major multiple-system operators in the United States and Canada.
Centerline Communications	P. Marshall & Associates	Telecom Engineering and Construction	1/11/22	NA	Engineering, real estate and construction management organization serving national wireless operators and major infrastructure owners.

## M&A Announced Transactions (1/1/22 – 3/31/22), continued

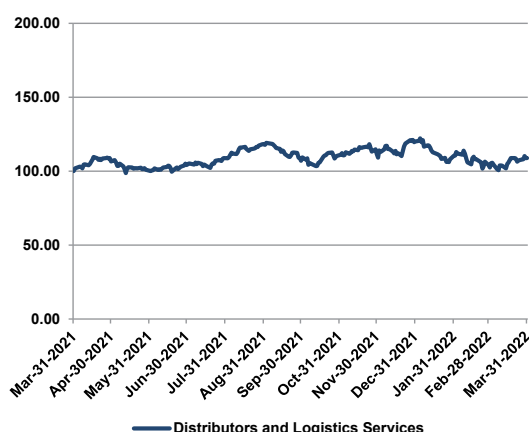
Acquiror	Target	Sector	Date Announced	Purchase Price	Description
MKD Electric	XS Telecom	Telecom Engineering and Construction	1/11/22	NA	Provider of communications infrastructure including voice and data network cable design, installation and support solutions.
Nuvias Group	Alliance Technologies	Distributors & Logistics Services	1/10/22	NA	Distributor for AudioCodes, Zoom, Pexip and ContactCenter4ALL in Germany.
ConvergeOne	Integration Partners	Distributors & Logistics Services	1/6/22	NA	Designs and implements collaboration and digital infrastructure solutions for Aruba, Avaya, Extreme Networks and Juniper.
Infinigate	D2B Informatique	Distributors & Logistics Services	1/6/22	NA	Firewall, authentication, endpoint security, intrusion detection and prevention and related value-added reselling services.
H.I.G. Capital	General Datatech	Distributors & Logistics Services	1/4/22	NA	Multi-vendor IT solutions provider offering design, architecture and resale of OEM hardware, software and maintenance.
Mobile Communications America	Lord & Company Technologies	Telecom Engineering and Construction	1/4/22	NA	In-building wireless communication systems integration and related IT consulting services.
National OnDemand	J&S Communications	Telecom Engineering and Construction	1/4/22	NA	Drop bury installation and residential and commercial installation services in Arkansas and Oklahoma.

## M&A Announced Transactions with Revenue Multiples (4/1/21 – 3/31/22)

Acquiror	Target	Sector	Date Announced	Purchase Price	Revenue Multiple	EBITDA Multiple	Description
Dendrio Solutions	TOP TECH	Distributors & Logistics Services	3/21/22	\$2.7	0.2 x	NA	Distributes IT equipment.
MasTec	Henkels & McCoy	Telecom Engineering and Construction	12/20/21	\$600.0	0.4 x	NA	Telecom and utility infrastructure construction, design and engineering contractor.
Iron Mountain	ITRenew	Distributors & Logistics Services	12/10/21	\$925.0	2.2 x	12.0 x	IT Asset Disposition company providing asset disposition, recycling and remarketing solutions for datacenter assets.
CDW	Sirius Computer Solutions	Distributors & Logistics Services	10/18/21	\$2,500.0	1.2 x	10.4 x	IT solution integrator providing hardware, software and services to large and mid-sized customers in the United States.
Redington	Brightstar Telekomünikasyon Da itim	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.
Orbital Energy Group	IMMCO	Telecom Engineering and Construction	8/2/21	\$19.0	1.8 x	NA	5G and fiber optic network design, geospatial data services and software development for the cable and telecom industries.
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.

## Sub Sector Analysis: Distributors and Logistics Services

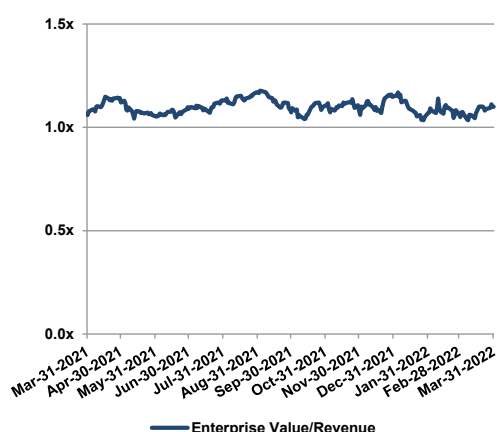
### Twelve Month Index Returns



### Company Returns

	12 Month	3 Month
Distributors and Logistics Index	8.8%	-9.3%
ADDvantage Technologies	-46.5%	-19.7%
CDW	7.9%	-12.6%
ePlus	12.5%	4.0%
Insight	12.5%	0.7%
PC Connection	12.9%	21.5%
TESSCO	-16.6%	-4.3%

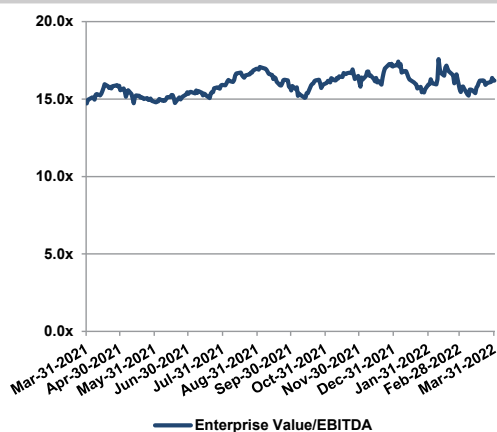
### Revenue Multiple Trends



### Company Revenue Multiples

	3/31/2022	3/31/2021
Distributors and Logistics Index	1.1x	1.1x
ADDvantage Technologies	0.3x	0.8x
CDW	1.5x	1.4x
ePlus	1.0x	1.0x
Insight	0.5x	0.5x
PC Connection	0.4x	0.5x
TESSCO	0.2x	0.3x

### EBITDA Multiple Trends



### Company EBITDA Multiples

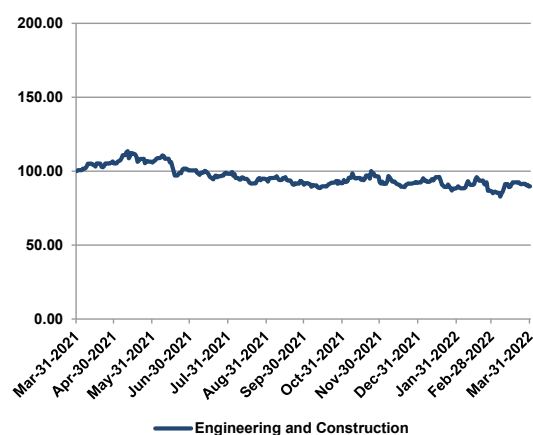
	3/31/2022	3/31/2021
Distributors and Logistics Index	16.2x	14.7x
ADDvantage Technologies	NM	NM
CDW	18.9x	16.1x
ePlus	10.3x	11.9x
Insight	11.4x	11.6x
PC Connection	11.8x	14.1x
TESSCO	NM	NM

Source: Capital IQ



## Sub Sector Analysis: Engineering and Construction

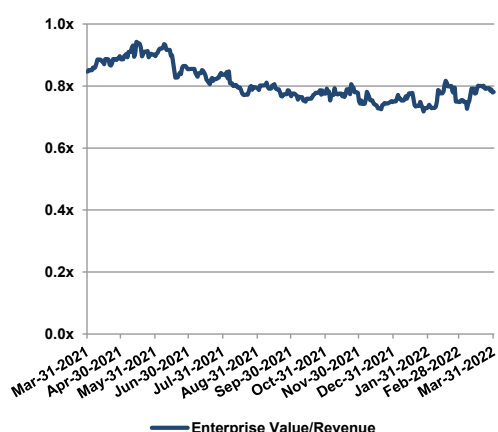
### Twelve Month Index Returns



### Company Returns

	12 Month	3 Month
Engineering and Construction Index	-10.2%	-2.5%
Baran Group	16.3%	19.3%
COMSYS Holdings	-28.7%	-1.2%
Dycom	2.6%	1.6%
Mastec	-7.0%	-5.6%
MIRAIT Holdings	-2.8%	-2.6%

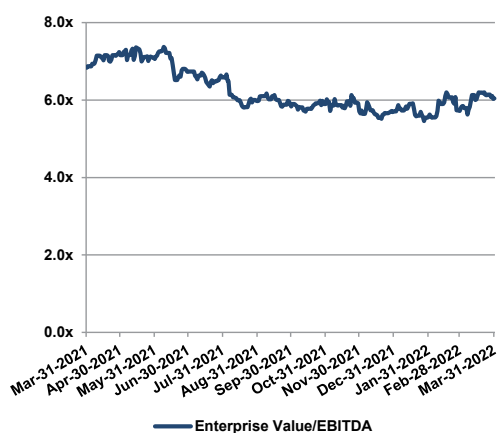
### Revenue Multiple Trends



### Company Revenue Multiples

	3/31/2022	3/31/2021
Engineering and Construction Index	0.8x	0.8x
Baran Group	0.6x	0.6x
COMSYS Holdings	0.5x	0.7x
Dycom	1.1x	1.1x
Mastec	1.1x	1.2x
MIRAIT Holdings	0.3x	0.4x

### EBITDA Multiple Trends



### Company EBITDA Multiples

	3/31/2022	3/31/2021
Engineering and Construction Index	6.0x	6.8x
Baran Group	6.4x	10.5x
COMSYS Holdings	5.4x	7.8x
Dycom	14.5x	11.6x
Mastec	10.0x	9.6x
MIRAIT Holdings	3.9x	4.4x

Source: Capital IQ

# FOCUS Telecom Technology and Services Team

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## **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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San Francisco, California

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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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