

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) suffered a negative return for the second straight reporting period with a 4.1% decline. While disappointing, the sector still managed to outperform the 5.3% decline in the S&P 500 and stay even with the 4.1% drop in the NASDAQ. The situation is similar for the full year period. While the sub sector is down 16.1% over the past 12 months, it still outperformed the S&P 500 (down 16.8%) and the NASDAQ (down 26.8%). Sector multiples closed out the period at 0.8x revenue and 9.7x EBITDA. Both of these are lower than year-ago multiples of 1.0x revenue and 10.4x EBITDA.

Distributors and Logistics Services

The Distributors and Logistics Services sub sector had a more modest decline than the overall TBSI as the sub sector dropped 2.3% in the past three months. Losses were broad-based, with four of the six stocks in the sub sector trading lower than they were at the beginning of the period. On the positive side, ADDvantage Technologies managed to buck the downward trend with a gain of nearly 40%. Over the full year period, the sub sector is down 13.3%. The only

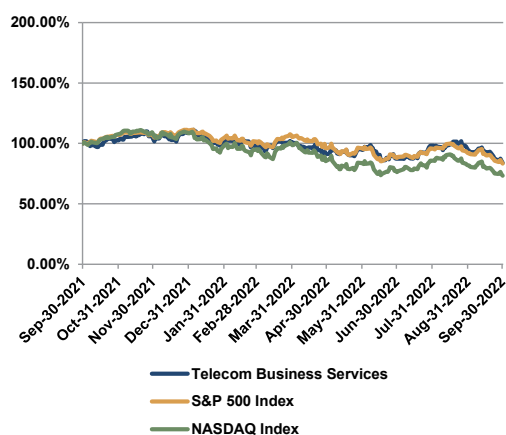
company that managed to deliver a positive return over this time frame was PC Connection, which gained 2.4%. Sub sector multiples are also lower than they were a year ago. The revenue multiple dipped from 1.1x to 0.9x, while the EBITDA multiple fell all the way from 15.5x to 12.7x.

Engineering and Construction

The Engineering and Construction sub sector had a much steeper drop than its counterpart in the TBSI, falling 8.0% in our fall reporting period. Dycom and Baran Group both managed to end the period in the black, but this was not good enough to overcome double digit losses at MasTec, COMSYS Holdings and MIRAIT Holdings. We see a very similar picture for the 12-month period. Dycom and Baran Group are both up sharply year-over-year, but the other companies in the sub sector suffered steep losses. The net result is that the sub sector is trading more than 20% lower than it was at this same time last year. Sub sector multiples actually fared better than this decline might suggest. The sub sector revenue multiple fell only slightly compared to last year (from 0.8x to 0.7x), while the sub sector EBITDA multiple actually increased from 5.8x to 6.0x.

Telecom Business Services: Public Market Summary

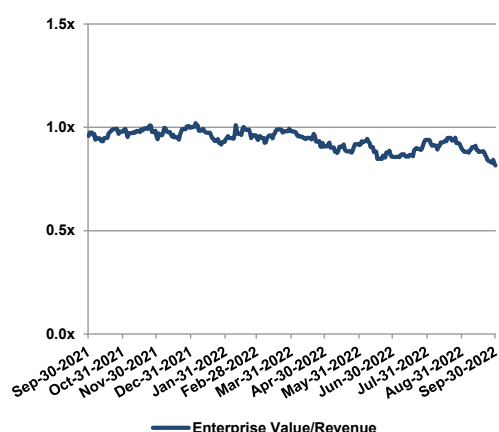
Twelve Month Index Returns



Sector and Sub Sector Returns

	12 Month	3 Month
Telecom Business Services	-16.1%	-4.1%
Distributors and Logistics Services	-13.3%	-2.3%
Engineering and Construction	-22.3%	-8.0%
S&P 500	-16.8%	-5.3%
NASDAQ	-26.8%	-4.1%

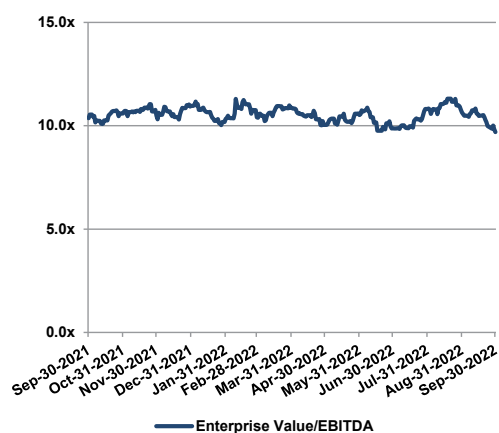
Revenue Multiple Trends



Sector and Sub Sector Revenue Multiples

	9/30/2022	9/30/2021
Telecom Business Services	0.8x	1.0x
Distributors and Logistics Services	0.9x	1.1x
Engineering and Construction	0.7x	0.8x

EBITDA Multiple Trends



Sector and Sub Sector EBITDA Multiples

	9/30/2022	9/30/2021
Telecom Business Services	9.7x	10.4x
Distributors and Logistics Services	12.7x	15.5x
Engineering and Construction	6.0x	5.8x

Source: Capital IQ

M&A Summary Comments

M&A

The number of M&A transactions in the Telecom Business Services sector finally slowed with only 30 transactions this period. The total announced transaction dollar volume of these deals also remained low, totaling only \$285 million over the past three months. Even with this period's slowdown, with 107 total transactions through the first nine months of the year, 2022 is likely to end up roughly on par with what we saw in 2021 in terms of the number of deals. However, the total announced dollar volume of deals is running very low, and at this point we are still struggling to hit the billion-dollar mark.

Distributors and Logistics Services

M&A activity in the Distributors and Logistics Services sub sector actually increased a bit from our summer report, rising from 20 to 21 total deals. This included the sector's largest transaction this period, the \$217 million acquisition of Rahi Partners by Wesco. We also noted that the market for companies that distribute equipment to service providers was particularly active. Euro Techno Com Group made two acquisitions in this space, one in Poland and one in Austria. In addition, Crestview Partners made a platform investment in broadband distributor Digicomm International while Alcadon Group acquired Networks Centre Holding Company in the UK. Finally, we noted that the market for third party data center maintenance companies continued to be active, with Evernex acquiring XS International and Service Express acquiring Sherlock Services.

Engineering and Construction

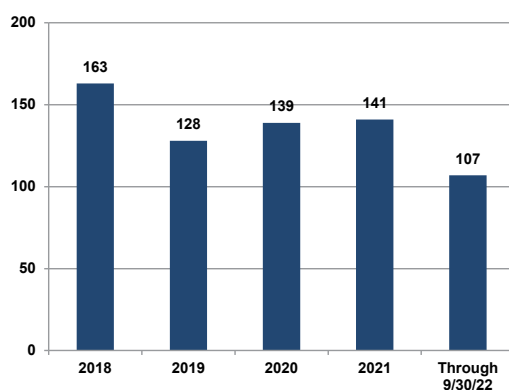
The Telecom Engineering and Construction sub sector slowed significantly this period, dropping from 21 total transactions in our last report to only nine in our current report. Interestingly, six of the announced transactions this period were in Europe or the UK. In the U.S., we noted that New England Electrical Contracting, which recently received a capital infusion from private equity firm Pfingsten Partners, made its' first acquisition under its new ownership with the pickup of Atlas Innovative Services. In the other U.S.-based transaction this period, Kinettix acquired field services and installation company FS 24/7.

Transactions with Multiples

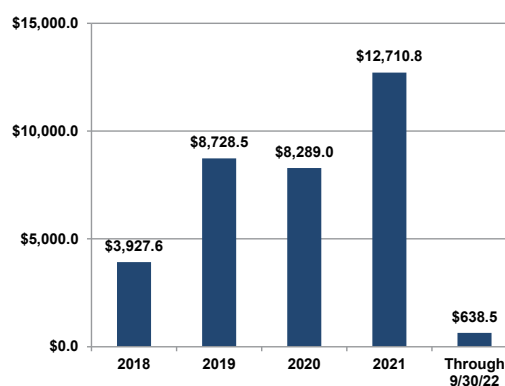
We were fortunate to have four transactions with announced multiples for the reporting period. In the only transaction in the Engineering and Construction sub sector with an announced multiple, Hexatronic Group's acquisition of the Impact Data Solutions business from Sterlite Technologies was done at 0.6x revenue. There was no announced EBITDA multiple for the transaction. The remaining three transactions were all in the Distributors and Logistics Services sub sector. The Alcadon Group's acquisition of Networks Centre Holding Company tipped the scales at 0.7x revenue and 8.7x EBITDA, while the Fos acquisition of NAeS was done at lower multiples of 0.6x revenue and 3.0x EBITDA. Finally, while there was no announced revenue multiple, Wesco's acquisition of Rahi Partners had an EBITDA multiple of 7.5x.

Telecom Business Services: M&A Summary

M&A Activity: Number of Transactions



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



M&A Announced Transactions (7/1/22 – 9/30/22)

Acquiror	Target	Sector	Date Announced	Purchase Price	Description
Cyber Security 1	Cyber Security Africa Distribution	Distributors & Logistics Services	9/30/22	\$1.3	Value added distributor with a focus on mitigation of information security risk for clients.
O'Connor Utilities	Inict	Telecom Engineering and Construction	9/30/22	NA	Installs fiber optic cable for infrastructure clients across the north of England.
Euro Techno Com Group	Tiba Produktions- & Vertriebsges	Distributors & Logistics Services	9/28/22	NA	Engages in the distribution of telecom networking equipment in Austria.
Gliston Company	Rinzai	Distributors & Logistics Services	9/26/22	\$0.1	Engages in the trading of telecommunications and networking equipment.
Hexatronic Group	Sterlite (Impact Data Solutions Business)	Telecom Engineering and Construction	9/26/22	\$10.5	Datacenter network infrastructure design, installation and colocation services to businesses in the UK.
Evernex	XS International	Distributors & Logistics Services	9/21/22	NA	IT asset lifecycle management and support services including third-party maintenance and IT asset disposition services.
Kinettix	FS 24/7	Telecom Engineering and Construction	9/20/22	NA	Emergency network response, network installation, maintenance, project management and wireless network installation services.
Epiroc	Radlink	Telecom Engineering and Construction	9/19/22	NA	Wireless data and voice communication network integration services including network design and installation services.
Ricoh Company	Cenero	Distributors & Logistics Services	9/14/22	NA	Design, planning, installation, integration, unified communication and other services related to audiovisual and videoconferencing systems.
Service Express	Sherlock Services	Distributors & Logistics Services	9/13/22	NA	Multivendor data center maintenance and hardware solutions for server, storage and network systems.
Babble Cloud Holdings	Berry Telecom	Distributors & Logistics Services	9/12/22	NA	Supplier of business phone systems in the United Kingdom.
Focus Group	Incom-CNS Group	Distributors & Logistics Services	9/7/22	NA	Unified communications, mobility technologies, voice and data connections, network design and IT services in the United Kingdom.
Wesco	Rahi Partners	Distributors & Logistics Services	9/7/22	\$217.0	Datacenter infrastructure, cloud services, IT infrastructure, unified communications and logistics and distribution services.
RSK Group	Milestone Communications	Telecom Engineering and Construction	8/31/22	NA	Civil, electrical and mechanical engineering services for telecoms and renewable energy suppliers in the United Kingdom.
New England Electrical Contracting	Atlas Innovative Services	Telecom Engineering and Construction	8/23/22	NA	Maintenance, repair and upgrade services for critical telecommunications infrastructure.
Wayside Technology Group	Spinnakar	Distributors & Logistics Services	8/18/22	\$11.8	UK-based IT distributor focused on storage, cloud, security and data management.
Crestview Partners	Digicomm International	Distributors & Logistics Services	8/16/22	NA	Equipment and services for the global broadband industry with specialization in hybrid fiber-coaxial and fiber broadband markets.
Generis Capital Partners	Watsoft Distribution	Distributors & Logistics Services	8/16/22	NA	Distributor of cybersecurity and information technology support software services.
Alcadon Group	Networks Centre Holding Company	Distributors & Logistics Services	8/10/22	\$38.0	Network infrastructure systems distribution services including fiber optics, copper equipment, FTTX, test equipment and cabinets.
Aplusk	Lydis	Distributors & Logistics Services	7/28/22	NA	Distributes audiovisual, telecom and security hardware products.
Armada Bilgisayar Sistemleri Sanayi ve Ticaret	Ingram Micro Bilgisayar Ve Ticaret Limited Sirketi	Distributors & Logistics Services	7/27/22	\$1.8	Distributes IT hardware, software and communications equipment in Turkey.
Fos	NAeS Solutions	Telecom Engineering and Construction	7/27/22	\$4.3	Specializes in consulting, design and construction of data centers and networking and building automation systems.
Euro Techno Com Group	KLONEX-VCS PUH	Distributors & Logistics Services	7/20/22	NA	Distributes broadband, video and IP solutions for the telecom network and technology infrastructure industry in Poland.
Babble Cloud Holdings	Yorkshire Telecommunications	Distributors & Logistics Services	7/19/22	NA	Reseller of private cloud phone systems, public cloud phone systems, UC cloud phone systems and VoIP systems.
ePlus	Future Com	Distributors & Logistics Services	7/18/22	NA	Cybersecurity and IT products and consulting services for businesses in the United States.

M&A Announced Transactions (7/1/22 –9/30/22), continued

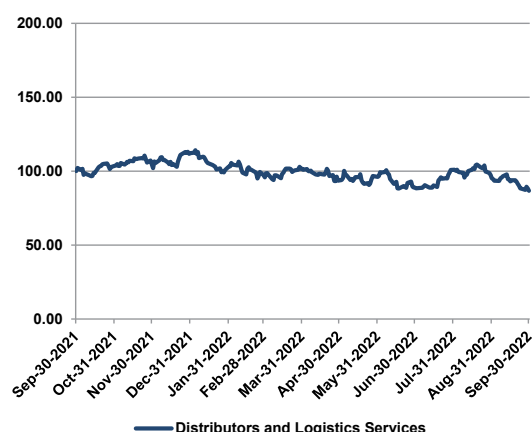
Acquiror	Target	Sector	Date Announced	Purchase Price	Description
ComputaCenter	Business IT Source (BITS)	Distributors & Logistics Services	7/13/22	NA	Distributes IT hardware and software for Lenovo, Dell/ EMC, HPE, Cisco and other major manufacturers.
Exponential Power	Elite Technologies and Communications	Distributors & Logistics Services	7/13/22	NA	Network communications equipment services for businesses in the telecommunications, public utility and government industries.
CloudCover	Palotac	Distributors & Logistics Services	7/12/22	NA	Network maintenance and hardware support services for the market vendors of networking assets.
Bravida Holding	Polar 2000	Telecom Engineering and Construction	7/7/22	NA	Electrical, automation and telecommunications contracting, installation, integration, engineering and maintenance services.
NEC	Aspire Technology	Telecom Engineering and Construction	7/1/22	NA	Network and systems integration services including 5G network planning, design, optimization and support.

M&A Announced Transactions with Revenue Multiples (10/1/21 – 9/30/22)

Acquiror	Target	Sector	Date Announced	Purchase Price	Revenue Multiple	EBITDA Multiple	Description
Hexatronic Group	Sterlite (Impact Data Solutions Business)	Telecom Engineering and Construction	9/26/22	\$10.5	0.6 x	NA	Datacenter network infrastructure design, installation and colocation services to businesses in the UK.
Wesco	Rahi Partners	Distributors & Logistics Services	9/7/22	\$217.0	NA	7.5 x	Datacenter infrastructure, cloud services, IT infrastructure, unified communications and logistics and distribution services.
Alcadon Group	Networks Centre Holding Company	Distributors & Logistics Services	8/10/22	\$38.0	0.7 x	8.7 x	Network infrastructure systems distribution services including fiber optics, copper equipment, FTTX, test equipment and cabinets.
Fos	NAeS Solutions	Telecom Engineering and Construction	7/27/22	\$4.3	0.6 x	3.0 x	Specializes in consulting, design and construction of data centers and networking and building automation systems.
Ratos	Knightec	Telecom Engineering and Construction	6/16/22	\$159.6	1.7 x	11.1 x	Design and consulting services for 5G connectivity and telecom integration.
DeClout	Procurri Corporation	Distributors & Logistics Services	5/20/22	\$80.5	0.4 x	22.9 x	Data center equipment and information technology lifecycle services.
Mitie Group	P2ML	Telecom Engineering and Construction	4/1/22	\$2.8	0.5 x	4.0 x	Site inspections, design surveys, tower analysis, site supervision and maintenance services in the United Kingdom.
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.

Sub Sector Analysis: Distributors and Logistics Services

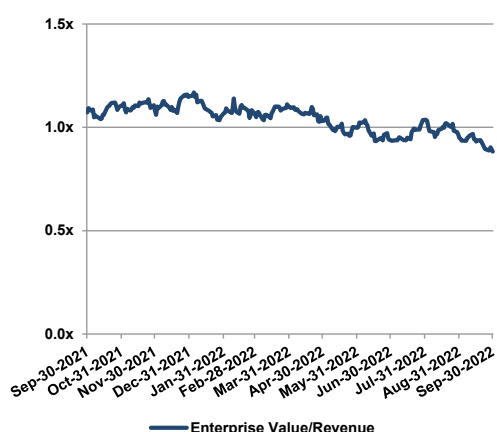
Twelve Month Index Returns



Company Returns

	12 Month	3 Month
Distributors and Logistics Index	-13.3%	-2.3%
ADDvantage Technologies	-25.4%	39.7%
CDW	-14.3%	-0.9%
ePlus	-19.0%	-21.8%
Insight	-8.5%	-4.5%
PC Connection	2.4%	2.4%
TESSCO	-25.8%	-29.9%

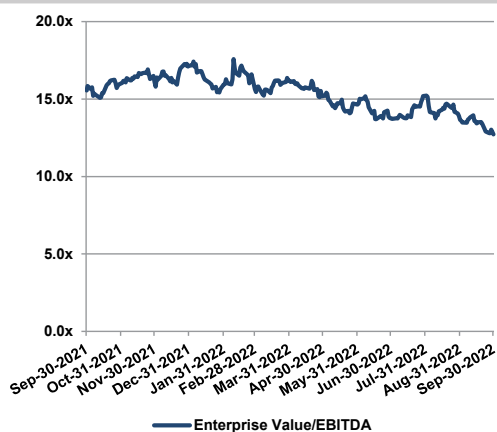
Revenue Multiple Trends



Company Revenue Multiples

	9/30/2022	9/30/2021
Distributors and Logistics Index	0.9x	1.1x
ADDvantage Technologies	0.3x	0.6x
CDW	1.2x	1.4x
ePlus	0.7x	0.9x
Insight	0.4x	0.4x
PC Connection	0.3x	0.4x
TESSCO	0.2x	0.2x

EBITDA Multiple Trends



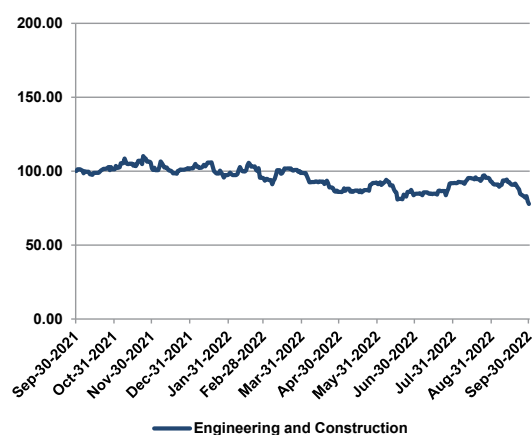
Company EBITDA Multiples

	9/30/2022	9/30/2021
Distributors and Logistics Index	12.7x	15.5x
ADDvantage Technologies	NM	NM
CDW	14.9x	17.7x
ePlus	7.3x	9.7x
Insight	9.1x	10.1x
PC Connection	8.1x	10.8x
TESSCO	NM	NM

Source: Capital IQ

Sub Sector Analysis: Engineering and Construction

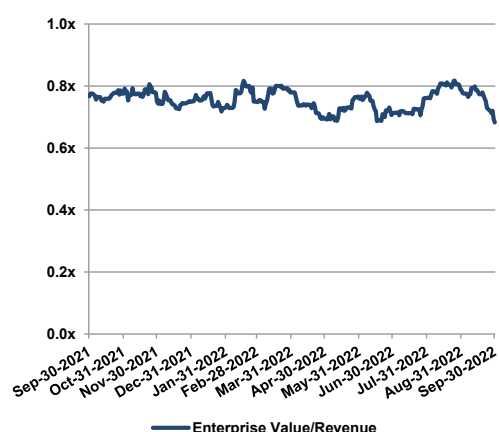
Twelve Month Index Returns



Company Returns

	12 Month	3 Month
Engineering and Construction Index	-22.3%	-8.0%
Baran Group	16.1%	6.4%
COMSYS Holdings	-35.6%	-10.6%
Dycom	34.1%	2.7%
Mastec	-26.4%	-11.4%
MIRAIT Holdings	-49.1%	-13.7%

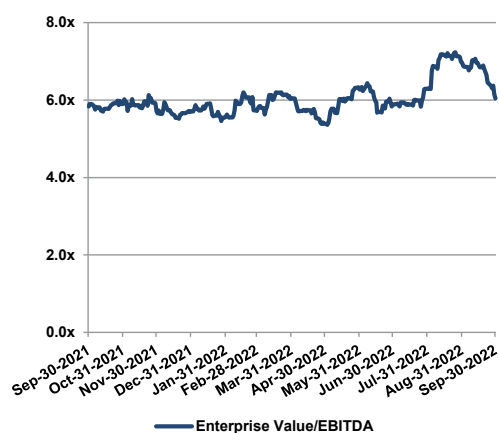
Revenue Multiple Trends



Company Revenue Multiples

	9/30/2022	9/30/2021
Engineering and Construction Index	0.7x	0.8x
Baran Group	0.8x	0.6x
COMSYS Holdings	0.4x	0.5x
Dycom	1.0x	0.9x
Mastec	0.8x	1.0x
MIRAIT Holdings	0.3x	0.4x

EBITDA Multiple Trends



Company EBITDA Multiples

	9/30/2022	9/30/2021
Engineering and Construction Index	6.0x	5.8x
Baran Group	22.4x	11.3x
COMSYS Holdings	5.0x	5.4x
Dycom	12.6x	11.7x
Mastec	10.3x	8.6x
MIRAIT Holdings	3.5x	4.4x

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.



David Freeland

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David Freeland, a FOCUS Managing Director, has more than fifteen years of experience providing investment banking and management consulting services to a variety of corporate clients, ranging from the Fortune 500 to start-up businesses. He has been an investment banker since 2003, advising clients on mergers and acquisitions and capital raising transactions. Mr. Freeland has broad experience in the telecom and technology industry and has significant experience with data center companies.

About FOCUS Investment Banking LLC

With more than three decades of experience, FOCUS Investment Banking is a trusted name in M&A advisory services worldwide. FOCUS works to understand each client's strategic and financial objectives, craft the best plan to achieve these goals, and deliver success. Whether helping to sell, buy, or raise capital, FOCUS strives to maximize the value of every transaction to the benefit of its clients. FOCUS bankers are seasoned operating and financial executives with extensive transaction experience. Securities transactions conducted by FOCUS Securities LLC, an affiliated company, registered Broker Dealer member FINRA/SIPC. For more information on FOCUS, please visit www.focusbankers.com.

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Investment Banking

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