

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

After two straight periods of decline, the FOCUS Telecom Business Services Index (TBSI) rebounded in our winter reporting period to deliver a strong three-month gain of 15.0%. This handily outperformed both the 7.1% gain in the S&P 500 and the 1.0% drop in the NASDAQ over the corresponding time period. Even with this period's gains, the TBSI remains in the red for the full 12-month period with a loss of 11.5%. On the bright side, this still outperforms the 19.4% drop in the S&P 500 and the 33.1% drop in the NASDAQ over the past year. Sector multiples are lower than they were a year ago, but only by the narrowest of margins. The sector revenue multiple slipped from 1.0x to 0.9x, while the sector EBITDA multiple inched down from 11.0x to 10.9x.

Distributors and Logistics Services

The Distributors and Logistics Services sub sector rocketed up 14.4% this period. Insight was the top performing company in the sub sector with a gain of 21.7% over the past three months. In addition, CDW and TESSCO also delivered double digit gains. The only company to suffer a negative return was ADDvantage Technologies, which dropped 17.6%. The picture for the sub sector is not as

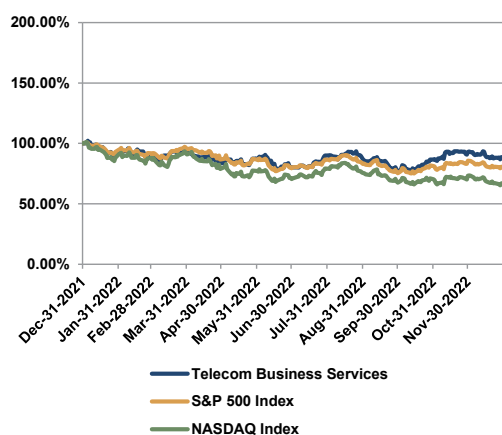
rosy for the full year period, as it declined 11.6% over the past twelve months. Losses were broad-based, with only one of the six companies in the index (PC Connection) delivering a positive return. Sub sector multiples closed out the period at 0.9x revenue and 13.3x EBITDA. Both of these are lower than year-ago multiples of 1.2x revenue and 17.1x EBITDA.

Engineering and Construction

The Engineering and Construction sub sector also enjoyed a strong return in our winter reporting period with a gain of 16.5%. A 34.4% gain at MasTec was the main driver behind this, and a 13.7% gain at MIRAIT Holdings also provided a boost. Dycom did not fare quite as well with a drop of 2.0%. The sub sector still remains in negative territory compared to this same time last year with a decline of 11.0%. Baran Group is the only company in the sub sector in positive territory over the past 12 months, although the 0.2% loss at Dycom means the company essentially broke even. The sub sector revenue multiple held steady compared to last year at 0.8x, while the EBITDA multiple jumped up nicely from 5.7x a year ago to 7.6x currently.

Telecom Business Services: Public Market Summary

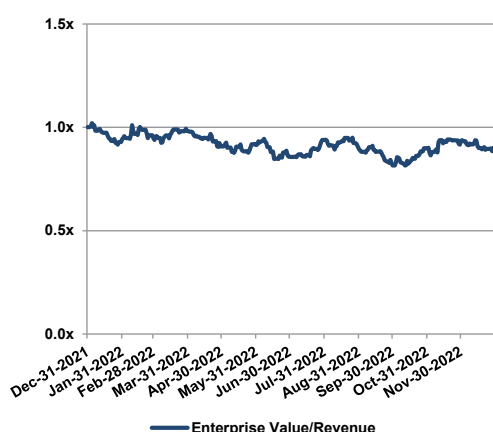
Twelve Month Index Returns



Sector and Sub Sector Returns

	12 Month	3 Month
Telecom Business Services	-11.5%	15.0%
Distributors and Logistics Services	-11.6%	14.4%
Engineering and Construction	-11.0%	16.5%
S&P 500	-19.4%	7.1%
NASDAQ	-33.1%	-1.0%

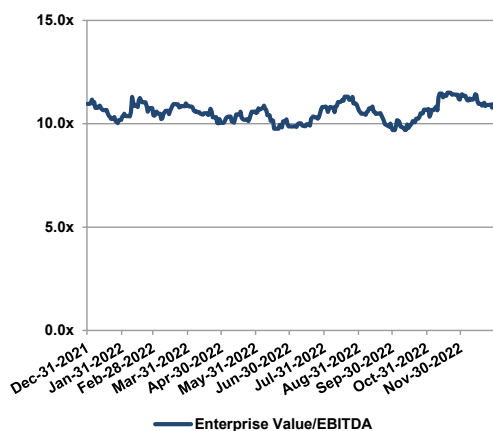
Revenue Multiple Trends



Sector and Sub Sector Revenue Multiples

	12/31/2022	12/31/2021
Telecom Business Services	0.9x	1.0x
Distributors and Logistics Services	0.9x	1.2x
Engineering and Construction	0.8x	0.8x

EBITDA Multiple Trends



Sector and Sub Sector EBITDA Multiples

	12/31/2022	12/31/2021
Telecom Business Services	10.9x	11.0x
Distributors and Logistics Services	13.3x	17.1x
Engineering and Construction	7.6x	5.7x

Source: Capital IQ

M&A Summary Comments

M&A

The number of M&A transactions in the Telecom Business Services sector continued to drop with only 20 announced transactions in the final three months of 2022. The total announced transaction dollar volume was up slightly this period to \$464 million, but this is still not particularly impressive compared to historical levels. When we look back at all of 2022, with 128 total transactions for the year it was tied with 2019 for the lowest number of transactions of any year in the last five. Furthermore, at only \$1.1 billion in total announced transaction dollar volume for the entire year, 2022 had far and away the lowest dollar volume of transactions of any year in the last five. In combination, these figures point to a somewhat disappointing year for sector M&A in 2022, particularly for larger transactions.

Distributors and Logistics Services

The Distributors and Logistics Services sub sector saw a significant decline in activity levels with only 11 transactions for the period. The sub sector was able to boast the largest transaction for the period, which was the \$464 million acquisition of mobile phone distribution company Conexio by Nojima Corporation. Interestingly, while the sub sector's total number of announced transactions was low, we did see a significant spike in activity involving companies that provide maintenance, repair and other reverse logistics services. Serial acquirers Evernex and Park Place technologies were both active this period in acquiring companies in the third party data center maintenance space.

In addition, we saw the emergence of two new platform companies in this area with Pfingsten Partners acquiring multi-vendor equipment distribution and repair company Tempest Telecom and Revolution Capital Group acquiring repair company CONTEC. Finally, strategic acquirer Foxway acquired resell and reverse logistics solutions company Global Resale.

Engineering and Construction

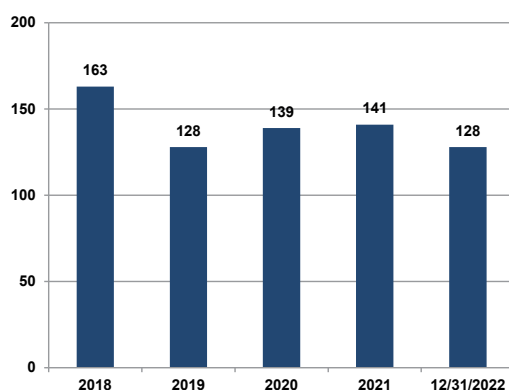
For the second straight reporting period the Telecom Engineering and Construction sub sector had nine transactions. This included the emergence of yet another private equity-backed platform in the sub sector with the acquisition of GridSouce by Hastings Equity Partners. Current private equity backed platforms were also active acquirers in the period. New England Electrical Contracting inked an acquisition for the second straight reporting period with its purchase of Eastern Communications, while TriStrux acquired fiber splicing and construction company Hess Broadband. Jackson Infrastructure Services also announced that it acquired Victory Equity Construction. In the final transaction that we will specifically mention, John Staurulakis continued to add to its outside plant engineering capabilities with its purchase of Mitchell Engineering.

Transactions with Multiples

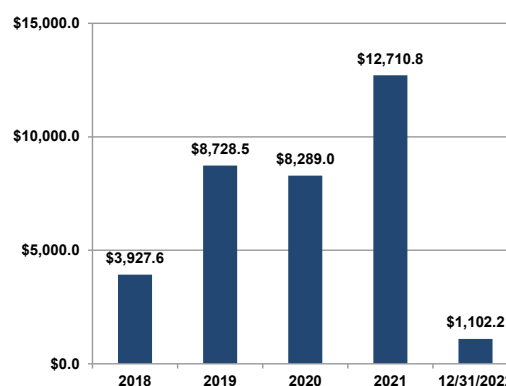
The only transaction with an announced multiple was Nojima Corporation's acquisition of mobile phone distribution company Conexio. The multiples for this transaction were 0.3x revenue and 8.2x EBITDA.

Telecom Business Services: M&A Summary

M&A Activity: Number of Transactions



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



M&A Announced Transactions (10/1/22 – 12/31/22)

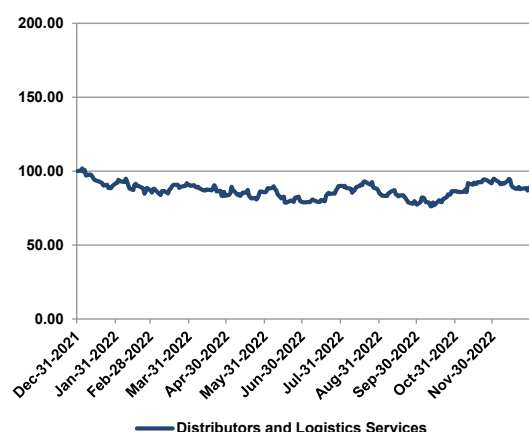
Acquiror	Target	Sector	Date Announced	Purchase Price	Description
CIRCET GROUPE	QubeGB	Telecom Engineering and Construction	12/23/22	NA	Services for the telecom and ISP industries including fiber and copper installation, surveying and Wi-Fi related services.
Hastings Equity Partners	GridSource	Telecom Engineering and Construction	12/22/22	NA	Provides infrastructure solutions for the telecom and gas industries.
Nojima Corporation	Conexio Corporation	Distributors & Logistics Services	12/22/22	\$463.6	Engages in the retail/wholesale sale of mobile phones in Japan.
AVI-SPL	Neurilink Systems	Distributors & Logistics Services	12/16/22	NA	Distributor of video conferencing, digital media and signage, kiosks and other products as well as related services.
Evernex	Integra Multi Vendor Services	Distributors & Logistics Services	12/16/22	NA	Provides datacenter maintenance services for businesses globally.
Pfingsten Partners	Tempest Telecom Solutions	Distributors & Logistics Services	12/13/22	NA	Multi-vendor provider of network telecommunications equipment and related repair services.
Park Place Technologies	CentricsIT (Third Party Maintenance and Professional Services Business)	Distributors & Logistics Services	12/6/22	NA	IT lifecycle management solutions and professional services.
Foxway	Global Resale	Distributors & Logistics Services	11/29/22	NA	Resell and reverse logistics company providing full-service and international resell and reverse logistics solutions.
Jackson Infrastructure Services	Victory Equity Construction	Telecom Engineering and Construction	11/17/22	NA	Specializes in providing underground telecommunications infrastructure services for rural fiber optic cooperatives.
Revolution Capital Group	Contec	Distributors & Logistics Services	11/10/22	NA	Forward and reverse logistics along with testing, repair and refurbishment of electronic equipment and technology products.
Alliance Corporation	GetWireless	Distributors & Logistics Services	11/9/22	NA	Value-added distributor of cellular solutions that connect the Internet of Things.
Management	Front Range Wireless	Telecom Engineering and Construction	11/8/22	NA	Provider of telecommunications infrastructure services based in Centennial, Colorado.
P3 Systems	NetEquity.com	Distributors & Logistics Services	11/3/22	NA	Asset recovery and remarketing services for sellers of new, used and excess Cisco networking hardware.
New England Electrical Contracting	Eastern Communications	Telecom Engineering and Construction	11/2/22	NA	Provider of maintenance, repair and upgrade services to critical telecommunications infrastructure across the New England region.
LS Networks	Commstructure Consulting	Telecom Engineering and Construction	11/1/22	NA	Consulting services company specializing in telecommunications outside plant infrastructure design and project management.
E78 Partners	MacroNet	Distributors & Logistics Services	10/18/22	NA	Value-added services distributor and IT and telecom consulting firm that focuses on business communications networks.
John Staurulakis	Mitchell Engineering	Telecom Engineering and Construction	10/18/22	NA	Outside plant engineering and design services to telecommunication clients in Arkansas, Oklahoma and Eastern Texas.
Rebellion Capital	Attunda EI- O Telecom	Telecom Engineering and Construction	10/13/22	NA	Installation services for telecom, fiber optic and electric networks.
Infinigate	StarLink	Distributors & Logistics Services	10/4/22	NA	Offers information technology security distribution services.
TriStruX	Hess Broadband	Telecom Engineering and Construction	10/4/22	NA	Fiber optic splicing and specialty construction services provider serving customers in Pennsylvania, Delaware and New Jersey.

M&A Announced Transactions with Revenue Multiples (1/1/22 – 12/31/22)

Acquiror	Target	Sector	Date Announced	Purchase Price	Revenue Multiple	EBITDA Multiple	Description
Nojima Corporation	Conexio Corporation	Distributors & Logistics Services	12/22/22	\$463.6	0.3 x	8.2 x	Engages in the retail/wholesale sale of mobile phones in Japan.
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.

Sub Sector Analysis: Distributors and Logistics Services

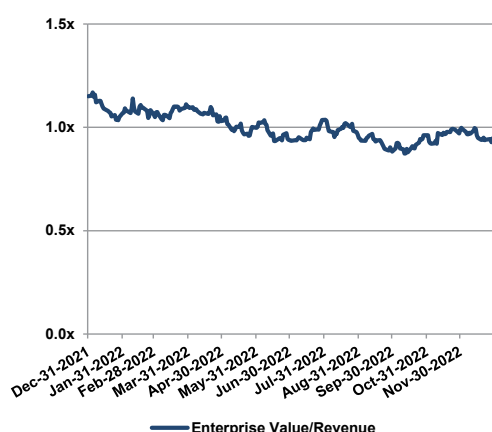
Twelve Month Index Returns



Company Returns

	12 Month	3 Month
Distributors and Logistics Index	-11.6%	14.4%
ADDvantage Technologies	-16.2%	-17.6%
CDW	-12.8%	14.4%
ePlus	-17.8%	6.6%
Insight	-5.9%	21.7%
PC Connection	8.7%	4.0%
TESSCO	-22.3%	18.4%

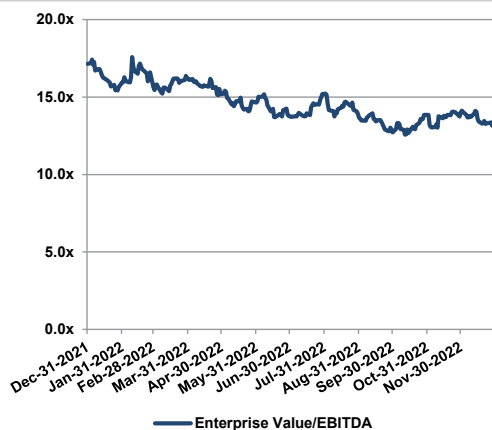
Revenue Multiple Trends



Company Revenue Multiples

	12/31/2022	12/31/2021
Distributors and Logistics Index	0.9x	1.2x
ADDvantage Technologies	0.2x	0.4x
CDW	1.3x	1.5x
ePlus	0.7x	0.9x
Insight	0.4x	0.5x
PC Connection	0.4x	0.4x
TESSCO	0.3x	0.3x

EBITDA Multiple Trends



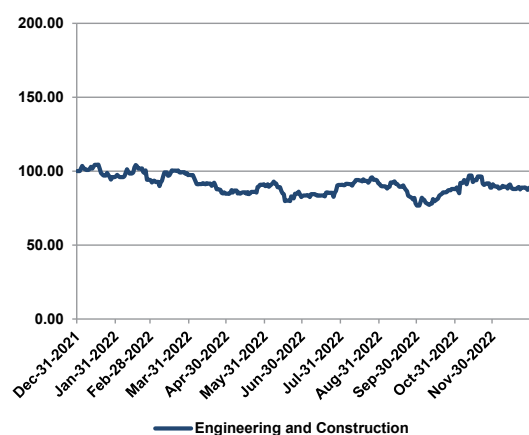
Company EBITDA Multiples

	12/31/2022	12/31/2021
Distributors and Logistics Index	13.3x	17.1x
ADDvantage Technologies	NM	NM
CDW	15.5x	19.3x
ePlus	7.9x	10.0x
Insight	9.8x	11.8x
PC Connection	8.0x	9.7x
TESSCO	47.2x	NM

Source: Capital IQ

Sub Sector Analysis: Engineering and Construction

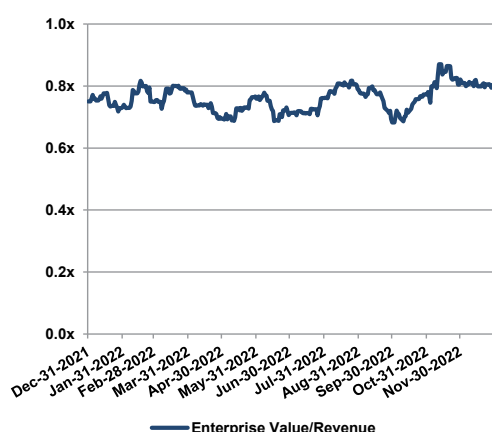
Twelve Month Index Returns



Company Returns

	12 Month	3 Month
Engineering and Construction Index	-11.0%	16.5%
Baran Group	1.1%	-8.3%
COMSYS Holdings	-21.1%	3.2%
Dycom	-0.2%	-2.0%
Mastec	-7.5%	34.4%
MIRAIT Holdings	-30.0%	13.7%

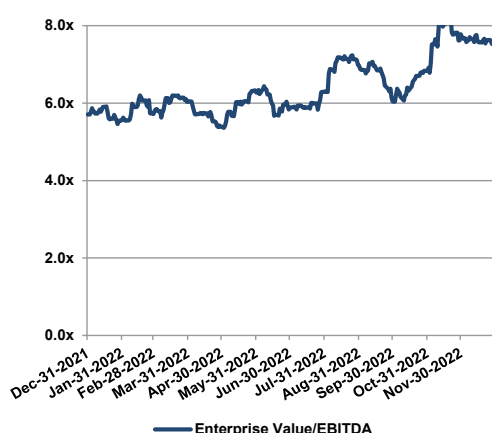
Revenue Multiple Trends



Company Revenue Multiples

	12/31/2022	12/31/2021
Engineering and Construction Index	0.8x	0.8x
Baran Group	0.8x	0.7x
COMSYS Holdings	0.5x	0.5x
Dycom	1.0x	1.1x
Mastec	1.0x	1.0x
MIRAIT Holdings	0.3x	0.3x

EBITDA Multiple Trends



Company EBITDA Multiples

	12/31/2022	12/31/2021
Engineering and Construction Index	7.6x	5.7x
Baran Group	23.1x	13.4x
COMSYS Holdings	6.3x	4.6x
Dycom	11.3x	14.7x
Mastec	13.9x	9.7x
MIRAIT Holdings	5.0x	3.7x

Source: Capital IQ

FOCUS Telecom 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.



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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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