

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) continued the upward trend we noted in our winter report with a three-month gain of 10.9% for the spring reporting period. This outperformed the 7.0% gain in the S&P 500 but lagged the 16.8% gain in the NASDAQ. This period's gains also pulled the sector into positive territory for the full year with a gain of 6.0%. This handily outperformed the broader indices, both of which were down sharply over the past year. Sector multiples are fairly consistent with this same time last year. The revenue multiple remained unchanged at 1.0x, while the EBITDA multiple ticked up slightly from 10.9x a year ago to 11.2x currently.

Distributors and Logistics Services

The Distributors and Logistics Services sub sector had a second straight reporting period with a double-digit gain as it enjoyed a 12.5% increase over the past three months. Insight was the biggest winner over this time frame with a gain of 42.6%, but CDW and ePlus also posted solid gains. The sub sector is also up 9.7% over the past year despite the fact that four of the six companies in the

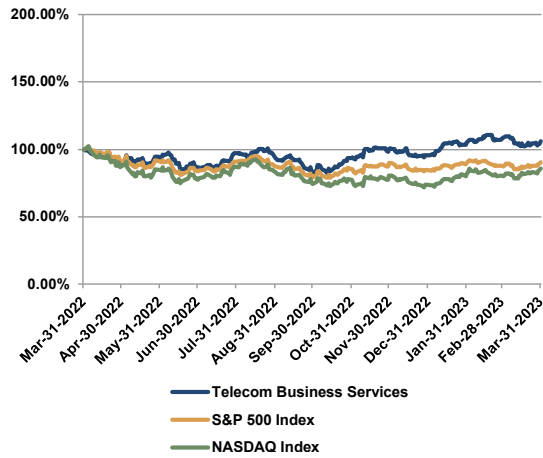
index are trading lower than they were a year ago. This is because strong gains at Insight and CDW outweighed losses at other companies in the sub sector. Sub sector multiples closed out the period at 1.0x revenue and 13.9x EBITDA. Both of these are lower than year-ago multiples of 1.1x revenue and 16.2x EBITDA.

Engineering and Construction

The Engineering and Construction sub sector also had a second straight reporting period in the black with a 7.0% gain in the past three months. MasTec was the top performer with a 10.7% gain this period, but gains were broad-based as all but one company in the sub sector was in positive territory. The sub sector still remains in negative territory for the full year with a loss of 2.3%. MasTec's year-over-year gain of 8.4% makes it the only company in the sub sector to trade higher than it did a year ago. Despite the sub sector trading slightly lower compared to last year, sub sector multiples were flat to up. The revenue multiple held steady at 0.8x, while the sub sector EBITDA multiple jumped from 6.0x a year ago to 7.7x currently.

Telecom Business Services: Public Market Summary

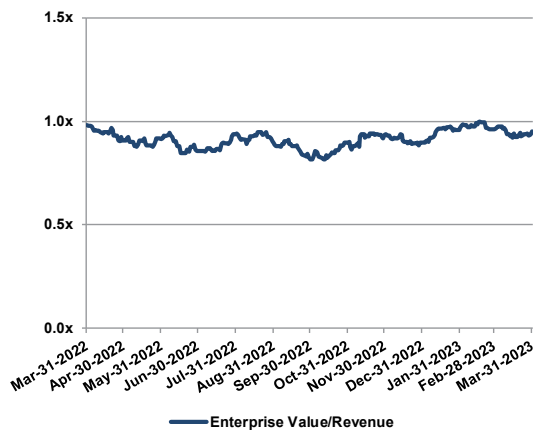
Twelve Month Index Returns



Sector and Sub Sector Returns

	12 Month	3 Month
Telecom Business Services	6.0%	10.9%
Distributors and Logistics Services	9.7%	12.5%
Engineering and Construction	-2.3%	7.0%
S&P 500	-9.3%	7.0%
NASDAQ	-14.1%	16.8%

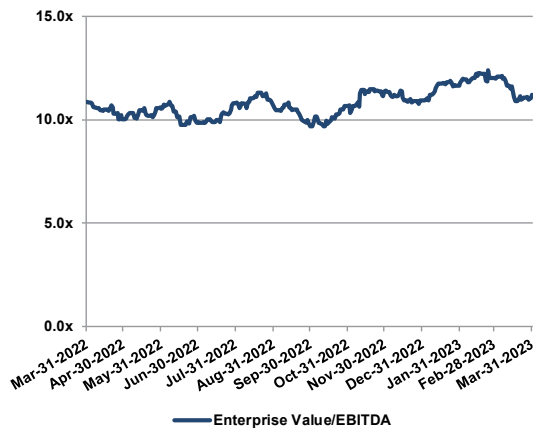
Revenue Multiple Trends



Sector and Sub Sector Revenue Multiples

	3/31/2023	3/31/2022
Telecom Business Services	1.0x	1.0x
Distributors and Logistics Services	1.0x	1.1x
Engineering and Construction	0.8x	0.8x

EBITDA Multiple Trends



Sector and Sub Sector EBITDA Multiples

	3/31/2023	3/31/2022
Telecom Business Services	11.2x	10.9x
Distributors and Logistics Services	13.9x	16.2x
Engineering and Construction	7.7x	6.0x

Source: Capital IQ

M&A Summary Comments

M&A

M&A activity in the Telecom Business Services sector continued to plod along at relatively low levels with only 24 total transactions for the three-month period. The total announced transaction dollar volume of these transactions was a mere \$6.0 million. In short, the M&A slowdown that began in the back half of 2022 has definitely continued into the first part of 2023.

Distributors and Logistics Services

Activity in the Distributors and Logistics Services sub sector increased somewhat with 15 total transactions this period. This included a handful of transactions in the traditional distribution space, most notably the Waterfield Technologies acquisitions of both VOX Network Solutions and Dice Communications, as well as the acquisition of High Point Solutions by Hexaware Technologies. The market for companies that deal in the refurbished equipment market was also active, and we noted two new platform companies in this space. The first of these was BE Networks, a pre-owned networking and datacenter equipment company that received an investment from SDG Capital. In addition, RGF Capital invested in mobile device remarketing company Ontronix. In the final transaction that we will

specifically note, ITsavvy beefed up its network monitoring and maintenance capabilities with the acquisition of NOC services company INOC.

Engineering and Construction

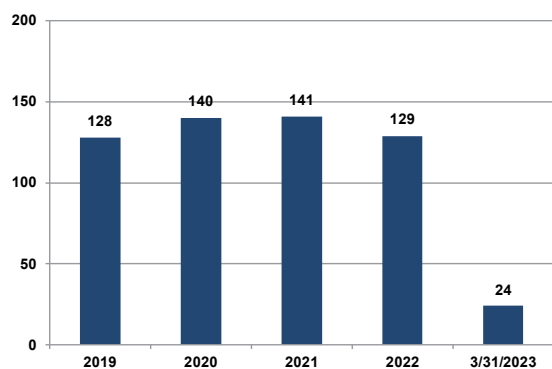
There were nine transactions in the Telecom Engineering and Construction sub sector this period, which marks the third straight period with the same number of deals. This included one new platform company in the space as Sovereign Capital acquired wireless design and build company Ascend Wireless Networks. GridSource, which recently received PE-backing itself, also notched its first acquisition with the purchase of WiseConnect. Serial acquirer Centerline Communications completed yet another acquisition with its purchase of Pearson Pelletier Telecom. This acquisition is significant for Centerline because it gives the company a significant presence in Canada. Finally, we noted that KGP Services returned to the deal table with its acquisition of wireless engineering company Further Enterprise Solutions.

Transactions with Multiples

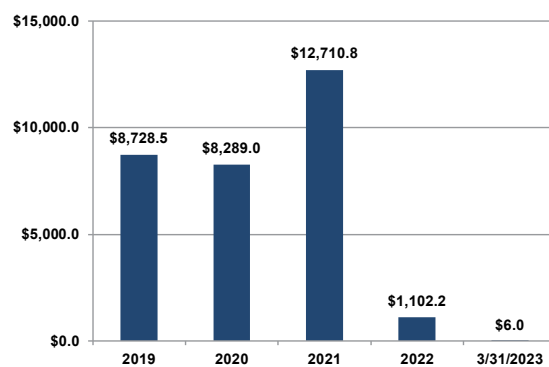
There were no transactions with announced multiples this period.

Telecom Business Services: M&A Summary

M&A Activity: Number of Transactions



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



M&A Announced Transactions (1/1/23 – 3/31/23)

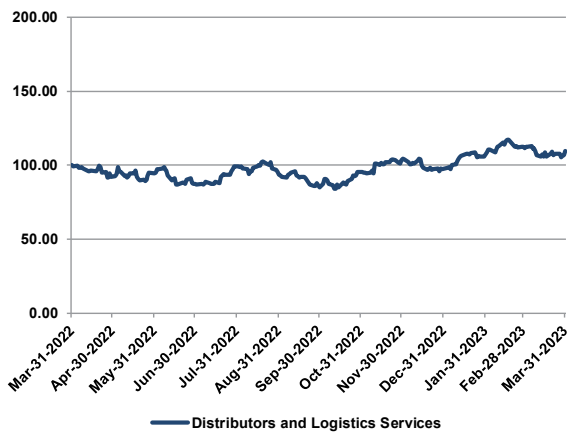
Acquiror	Target	Sector	Date Announced	Purchase Price	Description
V-Valley Advanced Solutions	Lidera Network	Distributors & Logistics Services	3/30/23	\$6.0	Provides cybersecurity distribution and IT services for businesses in the Iberian and Latin American markets.
Gridsource	WiseConnect	Distributors & Logistics Services	3/21/23	NA	Provides installation, fulfillment, maintenance and upgrade services for communications networks.
Netzkontor Nord	Adams Network Engineering	Telecom Engineering and Construction	3/21/23	NA	Engineering services for broadband networks in Germany.
Bechtle	Tangible Benefit	Distributors & Logistics Services	3/16/23	NA	Hardware procurement, licensing, asset disposal, lifecycle management and networking equipment for businesses in the United Kingdom.
Macnica Networks	CyberKnight Technologies	Distributors & Logistics Services	3/13/23	NA	Cybersecurity value-added-distributor in the Middle East and Saudi Arabia.
4Com Technology	Reach Digital Telecoms	Distributors & Logistics Services	3/8/23	NA	Provides communications systems to businesses in the United Kingdom.
Service Express	ServIQ	Distributors & Logistics Services	3/7/23	NA	Data center support provider specializing in third-party maintenance, managed services and hardware solutions.
SDG Capital	BE Networks	Distributors & Logistics Services	2/24/23	NA	Pre-owned networking and datacenter equipment distribution and related IT repair services for businesses globally.
Waterfield Technologies	Dice Communications	Distributors & Logistics Services	2/23/23	NA	Value added distributor of IT and communications equipment.
Centerline Communications	Pearson Pelletier Telecom	Telecom Engineering and Construction	2/14/23	NA	Design, construction and maintenance of wireless telecommunications networks and electric vehicle charging stations in Canada.
ITsavvy	INOC	Distributors & Logistics Services	2/13/23	NA	NOC support, optimization, design and build services for enterprise and service provider networks.
Waterfield Technologies	VOX Network Solutions	Distributors & Logistics Services	2/8/23	NA	Contact center, collaboration, network, security and other solutions for enterprise customers in the United States.
KCI Technologies	National Telecom Design	Telecom Engineering and Construction	2/7/23	NA	Telecom engineering, inspection and relocation services for communications clients throughout the Mid-Atlantic.
KGP Services	Further Enterprise Solutions	Telecom Engineering and Construction	2/6/23	NA	Provides network engineering, integration and site deployment services for businesses in the telecommunications sector in the United States.
Sovereign's Capital	Ascend Wireless Networks	Telecom Engineering and Construction	2/1/23	NA	Design and build services for micro and macro cellular networks including small cells, DAS, towers and rooftop sites.
Bird Construction	Trinity Communication Services	Telecom Engineering and Construction	1/31/23	NA	Telecommunication and utility infrastructure contract engineering services for customers in Ontario, Canada.
Eyeti	Microfix	Distributors & Logistics Services	1/30/23	NA	Repair services of IT hardware, printer and telecom equipment.
Verita Telecommunications	Taylor Telecommunications	Telecom Engineering and Construction	1/30/23	NA	Telecommunications and utility infrastructure construction contractor focused on the installation and construction of fiber optic cable.
Instalco	Telepatrol	Telecom Engineering and Construction	1/20/23	NA	Telecommunication installation services to businesses in Finland including fiber installation, data network construction and repair services.
RGF Capital	Ontronix	Distributors & Logistics Services	1/13/23	NA	Repair and remarketing of mobile devices and accessories.
Technology Recovery Group	Real World Communications	Distributors & Logistics Services	1/12/23	NA	Distributor of rugged mobile computing and wireless networking solutions in Canada.
Hexaware Technologies	High Point Solutions	Distributors & Logistics Services	1/11/23	NA	Supplier of internetworking hardware products to large enterprises and service providers.
AVI-SPL	Adtech Systems	Distributors & Logistics Services	1/7/23	NA	Distributor of communications, collaboration and audiovisual solutions to enterprises.
CIRCET GROUPE	Scopelec	Telecom Engineering and Construction	1/5/23	NA	Construction and maintenance of telecommunications infrastructure in France.

M&A Announced Transactions with Revenue Multiples (4/1/22 – 3/31/23)

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.

Sub Sector Analysis: Distributors and Logistics Services

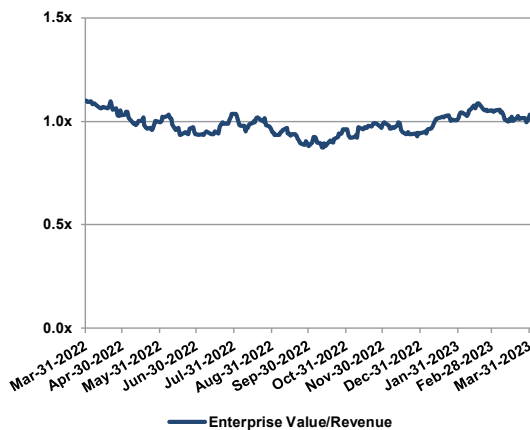
Twelve Month Index Returns



Company Returns

	12 Month	3 Month
Distributors and Logistics Index	9.7%	12.5%
ADDvantage Technologies	-20.1%	-23.4%
CDW	8.9%	9.1%
ePlus	-12.5%	10.7%
Insight	33.2%	42.6%
PC Connection	-14.2%	-4.1%
TESSCO	-20.5%	-2.0%

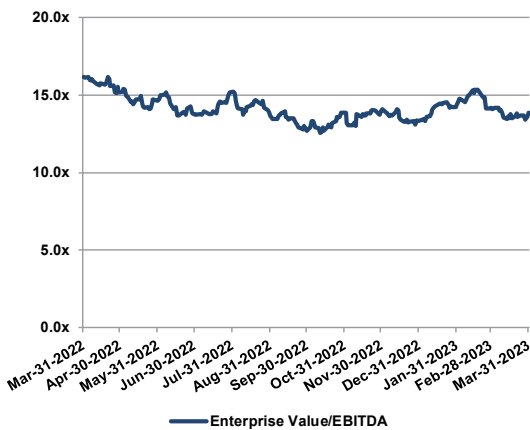
Revenue Multiple Trends



Company Revenue Multiples

	3/31/2023	3/31/2022
Distributors and Logistics Index	1.0x	1.1x
ADDvantage Technologies	0.2x	0.3x
CDW	1.4x	1.4x
ePlus	0.8x	0.9x
Insight	0.5x	0.4x
PC Connection	0.3x	0.4x
TESSCO	0.3x	0.2x

EBITDA Multiple Trends



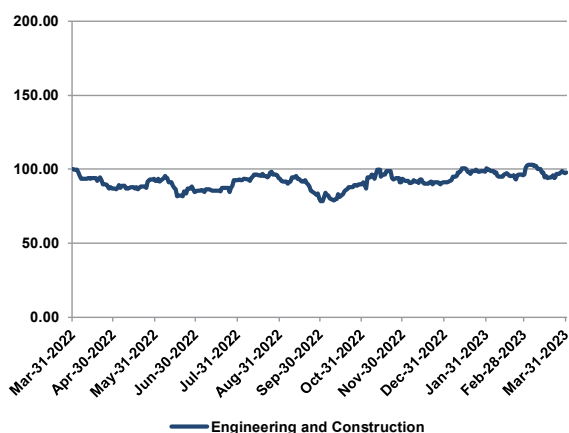
Company EBITDA Multiples

	3/31/2023	3/31/2022
Distributors and Logistics Index	13.9x	16.2x
ADDvantage Technologies	7.1x	NM
CDW	15.8x	17.9x
ePlus	8.5x	9.7x
Insight	11.9x	10.8x
PC Connection	8.1x	10.3x
TESSCO	35.5x	NM

Source: Capital IQ

Sub Sector Analysis: Engineering and Construction

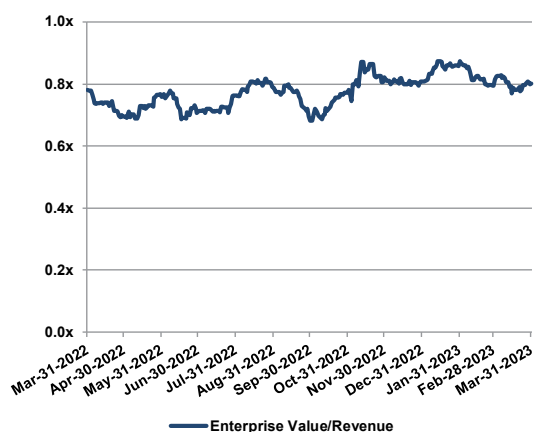
Twelve Month Index Returns



Company Returns

	12 Month	3 Month
Engineering and Construction Index	-2.3%	7.0%
Baran Group	-19.8%	-5.4%
COMSYS Holdings	-16.4%	4.7%
Dycom	-1.7%	0.1%
Mastec	8.4%	10.7%
MIRAIT Holdings	-22.7%	7.6%

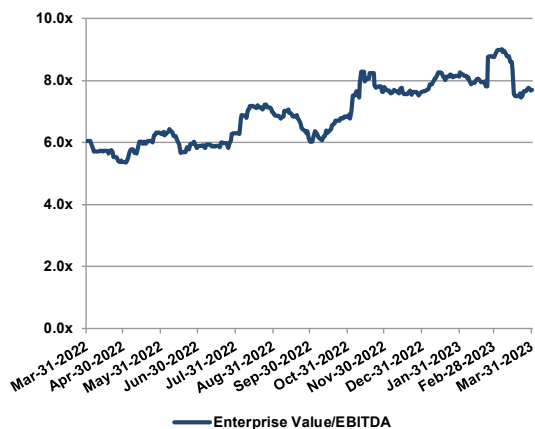
Revenue Multiple Trends



Company Revenue Multiples

	3/31/2023	3/31/2022
Engineering and Construction Index	0.8x	0.8x
Baran Group	0.8x	0.6x
COMSYS Holdings	0.5x	0.6x
Dycom	0.9x	1.1x
Mastec	1.1x	1.0x
MIRAIT Holdings	0.4x	0.4x

EBITDA Multiple Trends



Company EBITDA Multiples

	3/31/2023	3/31/2022
Engineering and Construction Index	7.7x	6.0x
Baran Group	8.3x	15.2x
COMSYS Holdings	5.9x	6.1x
Dycom	9.6x	14.5x
Mastec	14.2x	11.3x
MIRAIT Holdings	6.7x	4.2x

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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