

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

Summer 2023

Vol. 13, No. 3

IN THIS ISSUE

- 2 Introduction and Sub Sector Definitions
- 3 Summary Comments: Public Markets
- 4 Telecom Business Services: Public Market Summary Charts 1-6
- 5 M&A Summary Comments: M&A Summary Charts 1-2
- 6 M&A Announced Transactions
- 7 M&A Announced Transactions with Revenue Multiples
- 8 Sub Sector Analysis: Distributors and Logistics Services Charts 1-6
- 9 Sub Sector Analysis: Engineering and Construction Charts 1-6
- 10 FOCUS Telecom Technology and Services Team

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

While its momentum slowed somewhat from our Spring report, the FOCUS Telecom Business Services Index (TBSI) still delivered a positive return with a three-month gain of 2.9%. This lagged the returns of the broader indices as the S&P 500 gained 8.3% and the NASDAQ gained 12.8% over the corresponding time period. Sector multiples are also higher compared to the year-ago period. The sector revenue multiple went from 0.9x to 1.0x, while the sector EBITDA multiple increased from 9.9x to 11.4x.

Distributors and Logistics Services

The Distributors and Logistics Services sub sector reversed course and suffered a decline of 3.5% this reporting period. However, this decline was almost entirely due to a 5.8% decline at CDW. Of the other five companies in the sub sector, four delivered positive returns. This included a particularly strong performance by ePlus, which shot up 14.8%. In addition, TESSCO's share price increased by 86.5% in the wake of the announcement that

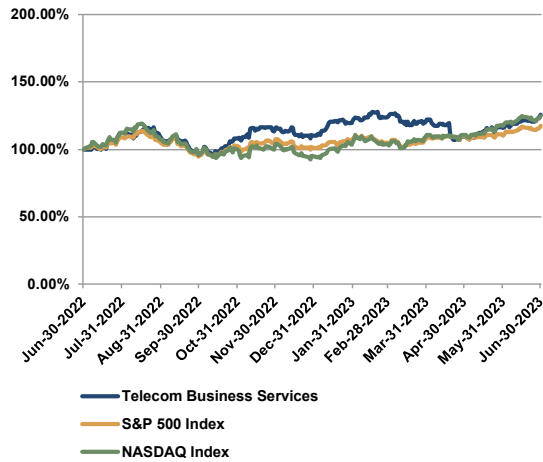
it would be acquired by Alliance Corporation. Despite this period's struggles, sub sector performance remains strong for the full year period with a gain of 21.3%. Sub sector multiple performance was mixed. The sub sector revenue multiple increased from 0.9x a year ago to 1.0x currently, but the EBITDA multiple inched downwards from 13.8x to 13.4x.

Engineering and Construction

The Engineering and Construction sub sector was the engine behind the TBSI's growth this period as the sub sector shot up 19.0% in the past three months. Gains were broad-based as four of the five companies in the index delivered positive returns. This included gains of more than 20% at both Dycom and MasTec. The sub sector is also up 36.1% compared to last year, including a gain at MasTec of more than 60%. Sub sector multiples closed out the period at 0.9x revenue and 8.7x EBITDA. Both of these compare favorably to year-ago multiples of 0.7x revenue and 5.9x EBITDA.

Telecom Business Services: Public Market Summary

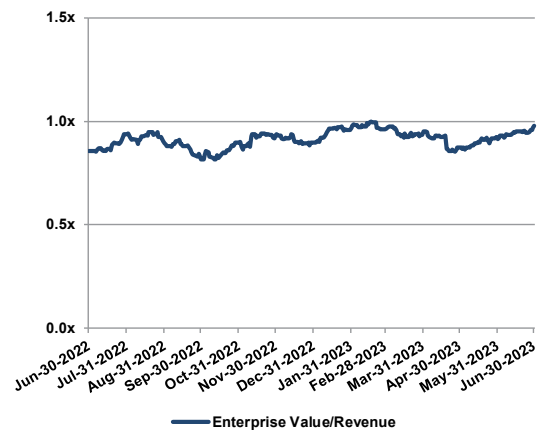
Twelve Month Index Returns



Sector and Sub Sector Returns

	12 Month	3 Month
Telecom Business Services	25.8%	2.9%
Distributors and Logistics Services	21.3%	-3.5%
Engineering and Construction	36.1%	19.0%
S&P 500	17.6%	8.3%
NASDAQ	25.0%	12.8%

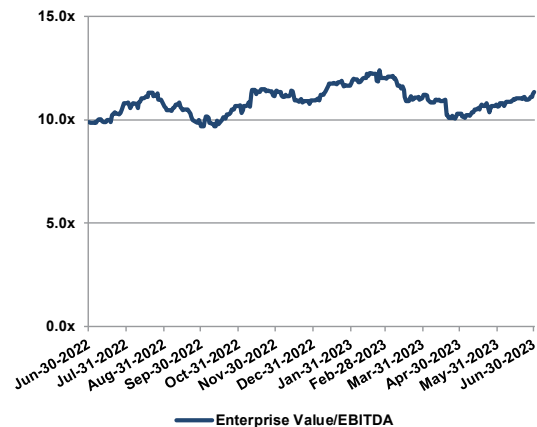
Revenue Multiple Trends



Sector and Sub Sector Revenue Multiples

	6/30/2023	6/30/2022
Telecom Business Services	1.0x	0.9x
Distributors and Logistics Services	1.0x	0.9x
Engineering and Construction	0.9x	0.7x

EBITDA Multiple Trends



Sector and Sub Sector EBITDA Multiples

	6/30/2023	6/30/2022
Telecom Business Services	11.4x	9.9x
Distributors and Logistics Services	13.4x	13.8x
Engineering and Construction	8.7x	5.9x

Source: Capital IQ

M&A Summary Comments

M&A

M&A activity in the Telecom Business Services sector plummeted this period with only 16 announced M&A transactions. Total announced transaction dollar value was also relatively anemic at \$163.9 million. Looking at the entire first half of 2023, we see only 40 transactions with a total announced transaction dollar volume of \$169.9 million. This is well below typical levels of M&A activity for the sector and clearly points to a difficult environment for transactions.

Distributors and Logistics Services

The Distributors and Logistics Services sub sector had 10 transactions this period. The most notable of these was the announcement that Alliance Corporation intends to purchase TESSCO for an enterprise value of \$158.9 million. We also noted the acquisition of the equipment distribution business of CCI Systems by publicly traded ePlus. In the final transaction that we will highlight, we saw yet another platform investment in a company that sells refurbished and other secondary market equipment. This was the purchase of TX0 by TowerBrook Capital Partners.

Engineering and Construction

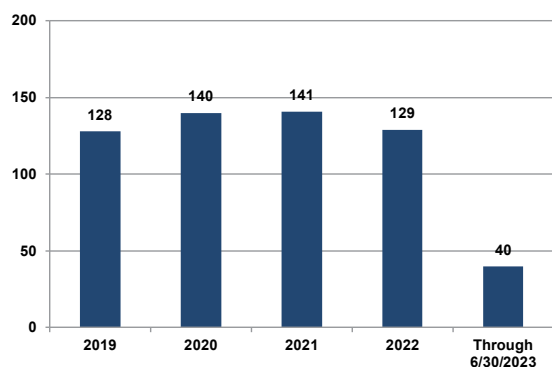
M&A activity slowed dramatically in the Telecom Engineering and Construction sub sector with only six transactions for the period. Of these, the lone transaction involving a U.S. target was the acquisition of Tower Engineering Professionals by private equity firm H.I.G. Capital. The remaining five transactions were all international and included the acquisition of MAM-Bau by CIRCET Groupe and the acquisition of the Telecom division of Balfour Beatty by Obelisk International Group.

Transactions with Multiples

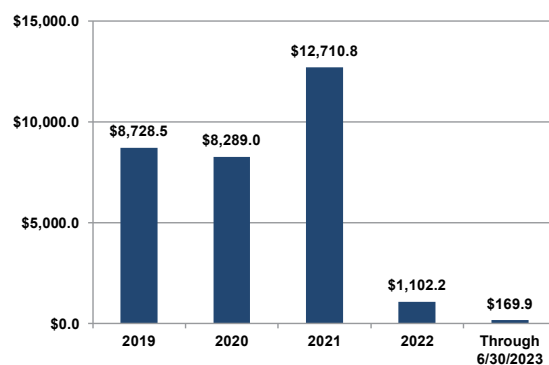
There were two transactions with announced multiples this period. The first of these was the acquisition of TESSCO by Alliance Corporation. This transaction had a revenue multiple of 0.4x and an EBITDA multiple of 28.0x. Clearly the acquirer expects to be able to achieve meaningful cost synergies as part of the acquisition. The second transaction with announced multiples was the PEI-Genesis acquisition of BelStewart. This transaction was done at 1.0x revenue and 5.0x 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 (4/1/23 – 6/30/23)

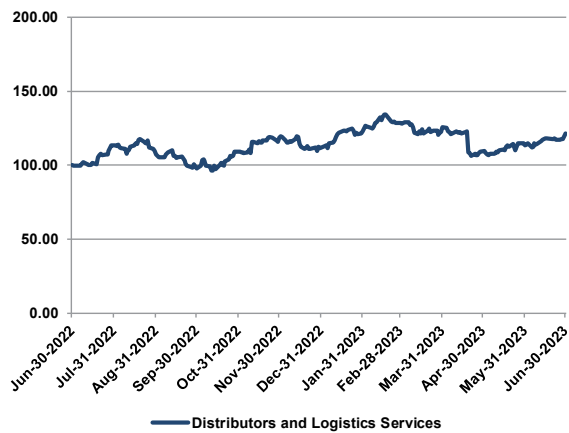
Acquiror	Target	Sector	Date Announced	Purchase Price	Description
Nordic Capital	Foxway	Distributors & Logistics Services	6/19/23	NA	Lifecycle management services including asset management, IT asset disposition, remarketing, advisory, reporting and infrastructure monitoring.
SPIE Communications	Enterprise Communications and Services	Distributors & Logistics Services	6/19/23	NA	IT and telecommunications integration services in areas such as cloud telephony, routing, switching, wireless internet access and cybersecurity.
PEI-Genesis	BelStewart	Distributors & Logistics Services	6/8/23	\$5.0	Connectivity equipment distribution and copper, fiber, and coaxial cable assembly contract manufacturing services.
Unknown	Sencommunications	Distributors & Logistics Services	6/7/23	NA	Supplies telecommunications equipment and provides logistics, installation and repair services.
Accelevation	Instor	Telecom Engineering and Construction	6/6/23	NA	Data center equipment integrator focused on low-voltage electrical equipment build-out and installation.
Obelisk International Group	Balfour Beatty (Telecoms Division)	Telecom Engineering and Construction	6/6/23	NA	Provider of telecom construction services.
CIRCET GROUPE	MAM-Bau	Telecom Engineering and Construction	6/5/23	NA	Provides engineering services to telecom carriers in Germany.
Unknown	Ofg Telecomunicaciones	Telecom Engineering and Construction	6/1/23	NA	Deployment, maintenance, upgrade and optimization services for mobile and fixed telecom networks.
BlueAlly Technology Solutions	Corporate Armor Technologies	Distributors & Logistics Services	5/17/23	NA	Distributor of security and other infrastructure products such as access points, antennas, power supplies, routers and switches.
ePlus	CCI Systems (Network Solutions Group)	Distributors & Logistics Services	5/1/23	NA	Value added distributor providing carrier-grade technology solutions for broadband operators.
TowerBrook Capital Partners	TXO	Distributors & Logistics Services	4/24/23	NA	Telecom network hardware, asset management, asset disposal and repair services as well as refurbished equipment.
4net Technologies	Nowcomm	Distributors & Logistics Services	4/17/23	NA	Provides Cisco-focused cybersecurity integration, network infrastructure and collaboration solutions.
RAF Equity	Automated Systems Design	Telecom Engineering and Construction	4/14/23	NA	Wired and wireless networking, structured cabling, audio visual, access control and other critical infrastructure design and integration services.
H.I.G. Capital	Tower Engineering Professionals	Telecom Engineering and Construction	4/13/23	NA	Wireless and wireline engineering and infrastructure services provider to tower and telecom customers.
Alliance Corporation	TESSCO Technologies	Distributors & Logistics Services	4/12/23	\$158.9	Value-added distributor of wireless and networking equipment to businesses globally.
20 South Partners	iGlass Networks	Distributors & Logistics Services	4/5/23	NA	Network, server and other monitoring services for telecom operators and businesses.

M&A Announced Transactions with Revenue Multiples (7/1/22 – 6/30/23)

Acquiror	Target	Sector	Date Announced	Purchase Price	Revenue Multiple	EBITDA Multiple	Description
PEI-Genesis	BelStewart	Distributors & Logistics Services	6/8/23	\$5.0	1.0 x	5.0 x	Connectivity equipment distribution and copper, fiber, and coaxial cable assembly contract manufacturing services.
Alliance Corporation	TESSCO Technologies	Distributors & Logistics Services	4/12/23	\$158.9	0.4 x	28.0 x	Value-added distributor of wireless and networking equipment to businesses globally.
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.

Sub Sector Analysis: Distributors and Logistics Services

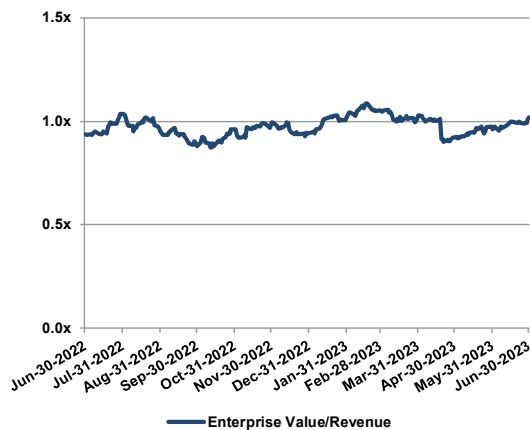
Twelve Month Index Returns



Company Returns

	12 Month	3 Month
Distributors and Logistics Index	21.3%	-3.5%
ADDvantage Technologies	-50.8%	-44.1%
CDW	16.5%	-5.8%
ePlus	6.0%	14.8%
Insight	69.6%	2.4%
PC Connection	2.4%	0.3%
TESSCO	51.4%	86.5%

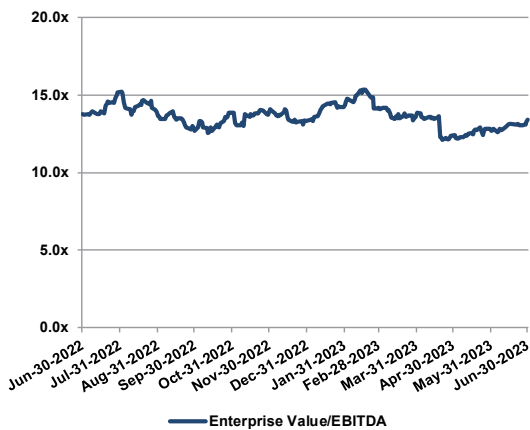
Revenue Multiple Trends



Company Revenue Multiples

	6/30/2023	6/30/2022
Distributors and Logistics Index	1.0x	0.9x
ADDvantage Technologies	0.1x	0.2x
CDW	1.4x	1.2x
ePlus	0.8x	0.8x
Insight	0.6x	0.4x
PC Connection	0.3x	0.3x
TESSCO	0.4x	0.2x

EBITDA Multiple Trends



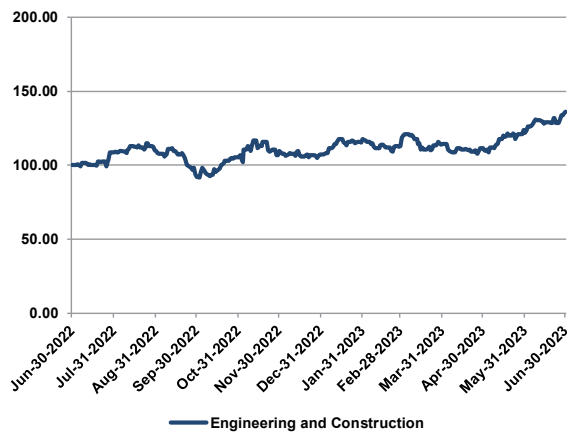
Company EBITDA Multiples

	6/30/2023	6/30/2022
Distributors and Logistics Index	13.4x	13.8x
ADDvantage Technologies	10.1x	NM
CDW	15.2x	15.2x
ePlus	8.5x	8.5x
Insight	11.8x	8.8x
PC Connection	8.7x	8.1x
TESSCO	NM	NM

Source: Capital IQ

Sub Sector Analysis: Engineering and Construction

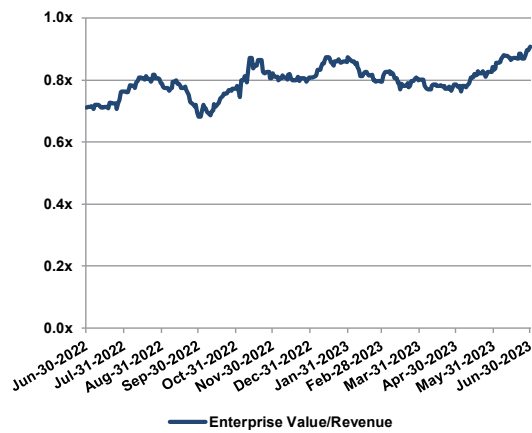
Twelve Month Index Returns



Company Returns

	12 Month	3 Month
Engineering and Construction Index	36.1%	19.0%
Baran Group	-11.6%	-4.2%
COMSYS Holdings	3.4%	7.1%
Dycom	22.2%	21.4%
Mastec	64.6%	24.9%
MIRAIT Holdings	6.6%	0.9%

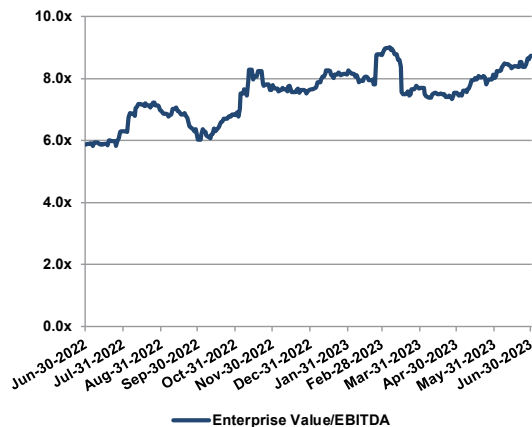
Revenue Multiple Trends



Company Revenue Multiples

	6/30/2023	6/30/2022
Engineering and Construction Index	0.9x	0.7x
Baran Group	0.8x	0.9x
COMSYS Holdings	0.5x	0.6x
Dycom	1.0x	1.1x
Mastec	1.2x	0.9x
MIRAIT Holdings	0.4x	0.4x

EBITDA Multiple Trends



Company EBITDA Multiples

	6/30/2023	6/30/2022
Engineering and Construction Index	8.7x	5.9x
Baran Group	16.7x	28.0x
COMSYS Holdings	6.9x	6.4x
Dycom	10.3x	13.5x
Mastec	17.4x	10.5x
MIRAIT Holdings	6.2x	5.0x

Source: Capital IQ

FOCUS Telecom Technology and Services Team



Richard H. Pierce

Managing Director and Telecom
Technology and Services Team
Leader, Washington, DC

rich.pierce@focusbankers.com
202-470-1983

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

Managing Director,
San Francisco, California

david.freeland@focusbankers.com
978-505-1837

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.

© 2023 FOCUS Investment Banking LLC

FOCUS

Investment Banking

HEADQUARTERS

FOCUS Investment Banking LLC
8065 Leesburg Pike, Suite 750, Vienna, VA 22182
202.785.9404 | 202.785.9413 (fax)

Securities transactions conducted by FOCUS Securities LLC, an affiliated company, registered Broker Dealer member FINRA/SIPC.