

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) returned to the red in our fall reporting period, dropping 2.6% in the past three months. Even so, the TBSI still outperformed the broader indices as the S&P 500 fell 3.7% and the NASDAQ dropped 4.1% over the same time frame. For the full year, the sector still enjoys a strong gain of 28.1%. Once again, this performance exceeded the returns of both the S&P 500 and NASDAQ. Sector multiples are also trading higher than the year-ago period. The sector revenue multiple went from 0.8x to 0.9x, while the EBITDA multiple went from 9.7x to 10.9x

Distributors and Logistics Services

The Distributors and Logistics Services sub sector was strongly in positive territory over this past three months as the sub sector jumped up 8.8%. Double digit gains at distribution companies CDW, ePlus and PC Connection drove the sub sector's strong performance. For the full year period, all but one of the stocks in the sub sector posted a double-digit gain, with ePlus and Insight turning in the

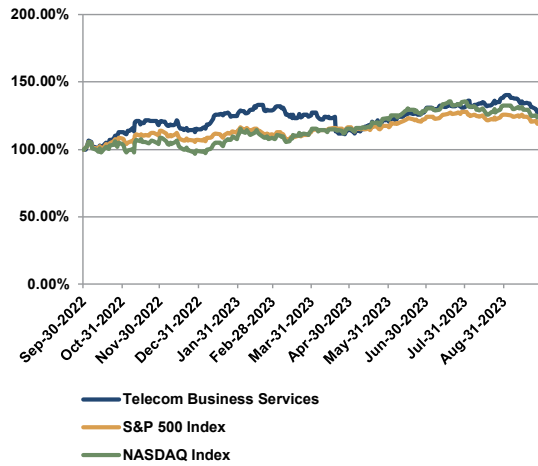
best performances as they gained 52.9% and 76.6%, respectively. As a result of these gains, the sub sector is up nearly 35% compared to this same time last year. Sub sector multiples ended the period at 1.1x revenue and 14.7x EBITDA. Both of these represent increases from multiples at this same time last year of 0.9x revenue and 12.7x EBITDA.

Engineering and Construction

Unfortunately, the Engineering and Construction sub sector did not fare as well as its fellow TBSI sub sector this period and dropped 25.3%. U.S.-based Dycom and MasTec were far and away the hardest hit companies in the sub sector, plummeting 21.7% and 39.0%, respectively. These declines reflected concerns about spending at the major U.S. carriers, particularly on the wireless side. Even with this period's dismal performance, the sub sector is still up 11.2% over the past 12 months. The sub sector revenue multiple remained unchanged compared to a year ago at 0.7x, while the sub sector EBITDA multiple increased from 6.0x to 6.5x.

Telecom Business Services: Public Market Summary

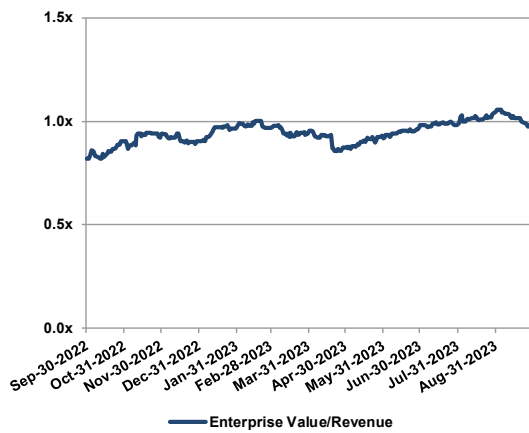
Twelve Month Index Returns



Sector and Sub Sector Returns

	12 Month	3 Month
Telecom Business Services	28.1%	-2.6%
Distributors and Logistics Services	34.9%	8.8%
Engineering and Construction	11.2%	-25.3%
S&P 500	19.6%	-3.7%
NASDAQ	25.0%	-4.1%

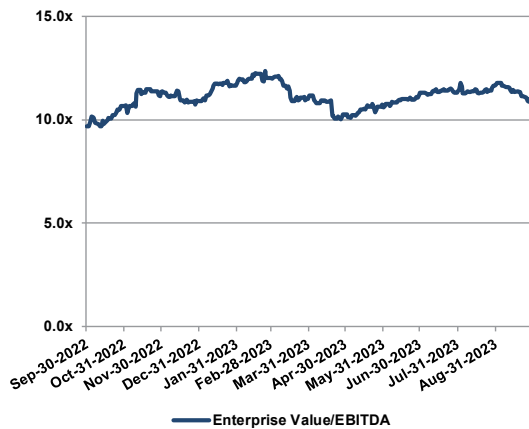
Revenue Multiple Trends



Sector and Sub Sector Revenue Multiples

	9/30/2023	9/30/2022
Telecom Business Services	0.9x	0.8x
Distributors and Logistics Services	1.1x	0.9x
Engineering and Construction	0.7x	0.7x

EBITDA Multiple Trends



Sector and Sub Sector EBITDA Multiples

	9/30/2023	9/30/2022
Telecom Business Services	10.9x	9.7x
Distributors and Logistics Services	14.7x	12.7x
Engineering and Construction	6.5x	6.0x

Source: Capital IQ

M&A Summary Comments

M&A

After experiencing historically low levels of M&A activity in our summer report, the number of transactions in the Telecom Business Services sector picked up somewhat to a count of 21 announced deals. The increase in total announced transaction dollar value was less pronounced, reaching only \$177 million for the period. Through the first nine months of 2023 we count only 61 transactions for a total announced transaction dollar value of \$346 million. This makes it highly likely that in 2023 the Telecom Business Services sector will record its lowest level of M&A activity in the last five years.

Distributors and Logistics Services

M&A transactions in the Distributors and Logistics Services sub sector were hard to come by this period with only eight total transactions. The only transaction in the sub sector with an announced dollar value was the purchase of South American smartphone distributor Tekmovil for \$40 million. We also noted a transaction in the repair and maintenance space as Jiliti acquired StorTrec. The remaining transactions this period involved distributors serving the enterprise space. Of these, we particularly noted the expansion of Fulcrum IT Partners with its acquisition of Canadian distributor Stoneworks Technologies.

Engineering and Construction

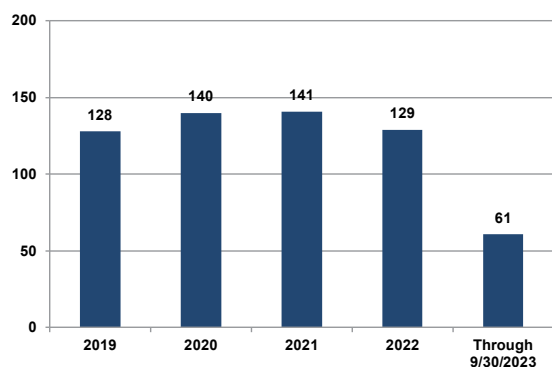
The Telecom Engineering and Construction sub sector had a respectable number of transactions with 13 total for the period. This included a new platform company as Tower Arch Capital made a return to the space with the acquisition of directional drilling company TD&I Cable Maintenance. Dycom also returned to the M&A table for the first time in quite a while, and its \$127 million acquisition of Bigham Cable Construction had the largest announced transaction dollar value of any transaction in the sector this period. Private equity-backed Gridsource also inked yet another acquisition as it picked up fiber construction company Accelerated Communications & Construction. In the final transaction that we will highlight, TPT Global Tech also made an acquisition in the Engineering and Construction sub sector with its purchase of Broadband Infrastructure for \$9.5 million.

Transactions with Multiples

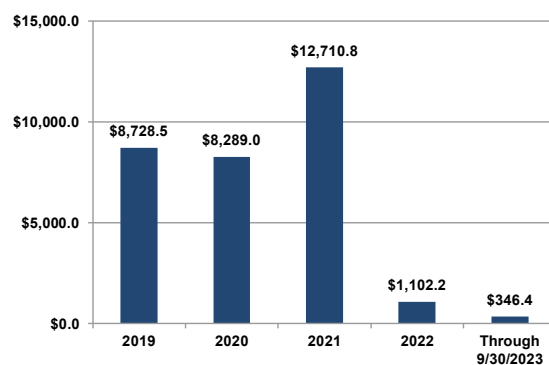
This period had three transactions with announced multiples. The highest multiple was associated with the period's largest transaction. This was the Dycom acquisition of Bigham Cable Construction, which went for 0.9x revenue. The other transaction in the Engineering and Construction sub sector with an announced multiple was the TPT Global Tech deal for Broadband Infrastructure. This transaction went for a much lower multiple of 0.5x. Finally, on the Distributors and Logistics Services side, TPT Global Tech's purchase of Tekmovil had a revenue multiple of 0.2x. None of the three deals had an announced EBITDA multiple.

Telecom Business Services: M&A Summary

M&A Activity: Number of Transactions



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



M&A Announced Transactions (7/1/23 – 9/30/23)

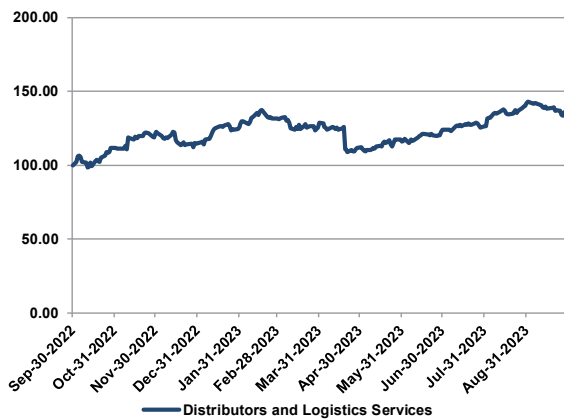
Acquiror	Target	Sector	Date Announced	Purchase Price	Description
Kane Communications	Net 100	Telecom Engineering and Construction	9/28/23	NA	Data and telephone cable integration and network infrastructure services for businesses including WLAN, SD Optical LAN, data center and security.
Silotech Group	Helifax Technologies	Distributors & Logistics Services	9/21/23	NA	Juniper Networks partner that provides network and security solutions.
UGL	Skybridge (Telecom Services Arm)	Telecom Engineering and Construction	9/21/23	NA	Network integration, design and construction, device installation and cabling services for the fiber, wireless and satellite industries in Australia.
Mitsubishi Heavy Industries	Retech	Telecom Engineering and Construction	9/7/23	NA	Provides network infrastructure and integration services for businesses in the telecom and cable industries in the U.S.
Alchemy Telco Solutions	Numobile	Distributors & Logistics Services	9/6/23	NA	Subscription-based online refurbished smartphones and mobile data plans for consumers and businesses.
Tower Arch Capital	TD&I Cable Maintenance	Telecom Engineering and Construction	8/30/23	NA	Directional drilling, trenching and other related infrastructure services for fiber optic networks and other critical infrastructure in the upper Midwest.
UST Global	Mobilecomm	Telecom Engineering and Construction	8/28/23	NA	Telecom engineering firm providing telecommunications and wireless engineering services.
TPT Global Tech	Tekmovil	Distributors & Logistics Services	8/25/23	\$40.0	Smart phone distribution company focused on the Latin American market.
Dycom	Bigham Cable Construction	Telecom Engineering and Construction	8/23/23	\$127.0	Network construction services for telecom operators in the southeastern U.S.
Forward Solutions	Madigan, McCune & Associates	Distributors & Logistics Services	8/9/23	NA	Manufacturer's representative firm servicing the telecommunications industry in the U.S.
NV5 Global	RED Technologies	Telecom Engineering and Construction	8/8/23	NA	Specialized design, technical and maintenance services for major international telecom operators and corporations.
Alliance Mobile	The Wireless Experience Group	Distributors & Logistics Services	8/2/23	NA	AT&T national authorized wireless equipment retailer for consumers and businesses.
TPT Global Tech	Broadband Infrastructure	Telecom Engineering and Construction	8/2/23	\$9.5	Fiber optic broadband infrastructure services including construction, splicing, terminations, engineering and installation and structured cabling.
APIC Solutions	Corporate Technology Solutions	Telecom Engineering and Construction	8/1/23	NA	Cabling installation services for data, voice, video and structured cabling systems as well as fiber optic installation services.
Connect44	AMG Energía y Telecomunicaciones	Telecom Engineering and Construction	8/1/23	NA	Provides telecommunications engineering services in Spain.
Gridsource	Accelerated Communications & Construction	Telecom Engineering and Construction	7/28/23	NA	Underground and aerial fiber and cable network maintenance, repair and development for telecom and cable operators.
Jiliti	StorTrec Group	Distributors & Logistics Services	7/28/23	NA	Installation and integration, repair services, maintenance services, managed services, spare parts distribution and other support services.
Fulcrum IT Partners	Stoneworks Technologies	Distributors & Logistics Services	7/12/23	NA	Servers, storage and networking products for corporate and government customers in Canada.
Fiber Experts Deutschland	ELECNET	Telecom Engineering and Construction	7/6/23	NA	Construction and installation services for telecom and electricity utility projects.
Vincent Communications	Exo Splicing	Telecom Engineering and Construction	7/6/23	NA	Provides fiber and copper splicing services in Western Canada.
Xevit	ethcon	Distributors & Logistics Services	7/4/23	NA	Provider of collaboration, unified communications and network solutions to customers in Germany.

M&A Announced Transactions with Revenue Multiples (10/1/22 – 9/30/23)

Acquiror	Target	Sector	Date Announced	Purchase Price	Revenue Multiple	EBITDA Multiple	Description
TPT Global Tech	Tekmovil	Distributors & Logistics Services	8/25/23	\$40.0	0.2 x	NA	Smart phone distribution company focused on the Latin American market.
Dycom	Bigham Cable Construction	Telecom Engineering and Construction	8/23/23	\$127.0	0.9 x	NA	Network construction services for telecom operators in the southeastern U.S.
TPT Global Tech	Broadband Infrastructure	Telecom Engineering and Construction	8/2/23	\$9.5	0.5 x	NA	Fiber optic broadband infrastructure services including construction, splicing, terminations, engineering and installation and structured cabling.
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.

Sub Sector Analysis: Distributors and Logistics Services

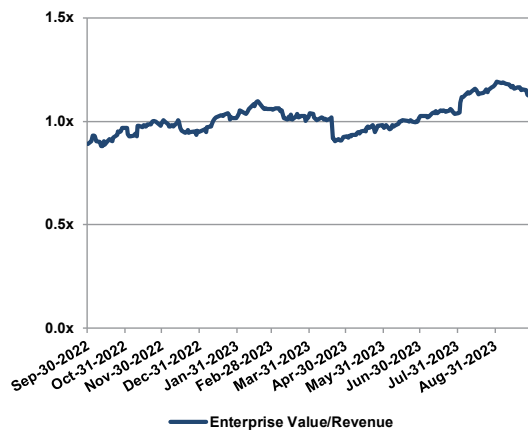
Twelve Month Index Returns



Company Returns

	12 Month	3 Month
Distributors and Logistics Index	34.9%	8.8%
ADDvantage Technologies	-78.4%	-38.7%
CDW	29.3%	10.0%
ePlus	52.9%	12.8%
Insight	76.6%	-0.6%
PC Connection	18.4%	18.4%

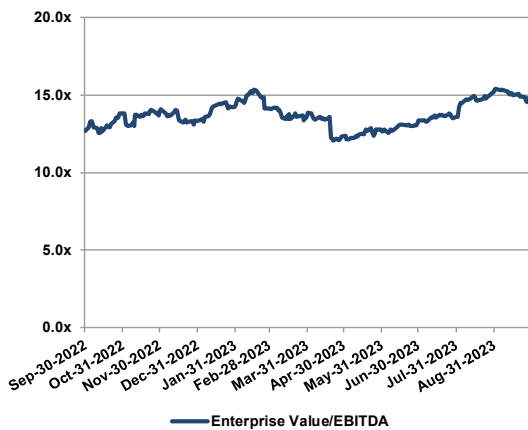
Revenue Multiple Trends



Company Revenue Multiples

	9/30/2023	9/30/2022
Distributors and Logistics Index	1.1x	0.9x
ADDvantage Technologies	0.1x	0.2x
CDW	1.5x	1.2x
ePlus	0.9x	0.7x
Insight	0.6x	0.4x
PC Connection	0.4x	0.3x

EBITDA Multiple Trends



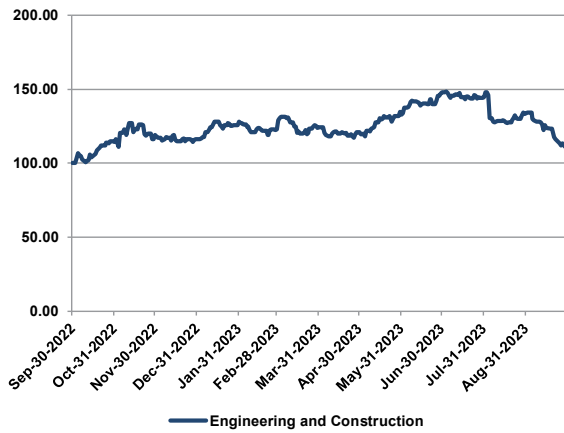
Company EBITDA Multiples

	9/30/2023	9/30/2022
Distributors and Logistics Index	14.7x	12.7x
ADDvantage Technologies	NM	9.5x
CDW	16.7x	14.1x
ePlus	9.2x	7.3x
Insight	13.0x	8.9x
PC Connection	10.2x	7.8x

Source: Capital IQ

Sub Sector Analysis: Engineering and Construction

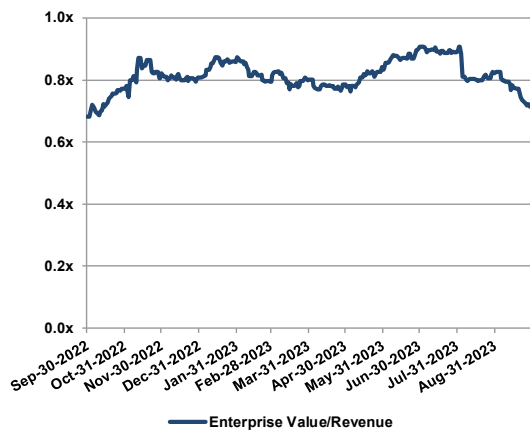
Twelve Month Index Returns



Company Returns

	12 Month	3 Month
Engineering and Construction Index	11.2%	-25.3%
Baran Group	-22.2%	-6.4%
COMSYS Holdings	23.0%	6.4%
Dycom	-6.8%	-21.7%
Mastec	13.3%	-39.0%
MIRAIT Holdings	29.9%	5.1%

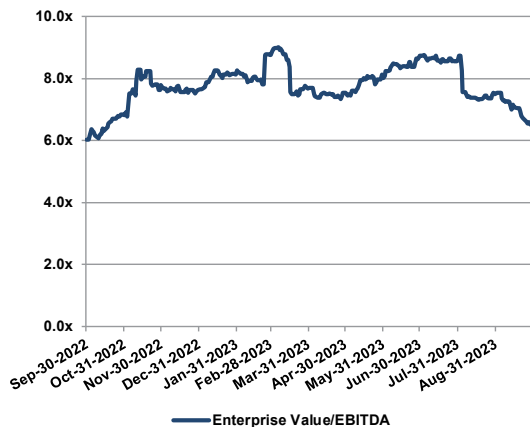
Revenue Multiple Trends



Company Revenue Multiples

	9/30/2023	9/30/2022
Engineering and Construction Index	0.7x	0.7x
Baran Group	0.5x	1.1x
COMSYS Holdings	0.5x	0.5x
Dycom	0.8x	1.0x
Mastec	0.8x	0.8x
MIRAIT Holdings	0.4x	0.3x

EBITDA Multiple Trends



Company EBITDA Multiples

	9/30/2023	9/30/2022
Engineering and Construction Index	6.5x	6.0x
Baran Group	17.0x	34.3x
COMSYS Holdings	7.3x	5.7x
Dycom	7.9x	12.6x
Mastec	11.4x	11.0x
MIRAIT Holdings	5.5x	4.1x

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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