

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

Winter 2024

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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) delivered a strong return in our winter reporting period with a three-month gain of 13.8%. This gain was meaningfully higher than the 11.2% gain in the S&P 500 over this period and essentially on par with the 13.6% gain in the NASDAQ. For the full year period, the TBSI was up 26.6%. This exceeded the annual gain in the S&P 500 of 24.2% but fell far short of the NASDAQ's 43.4% gain. Sector multiples are also higher than they were at this time last year. The sector revenue multiple increased from 0.9x a year ago to 1.1x currently, while the sector EBITDA multiple increased from 10.9x to 11.6x over the corresponding time period.

Distributors and Logistics Services

The Distributors and Logistics Services sub sector was once again the stronger of the TBSI's two sub sectors with a three-month gain of 15.2%. Gains were broad-based as every single company in the sub sector delivered a positive return. The sub sector is also up 35.8% over the past 12 months, with every single company in the index once again posting attractive returns. Sub sector multiples closed out

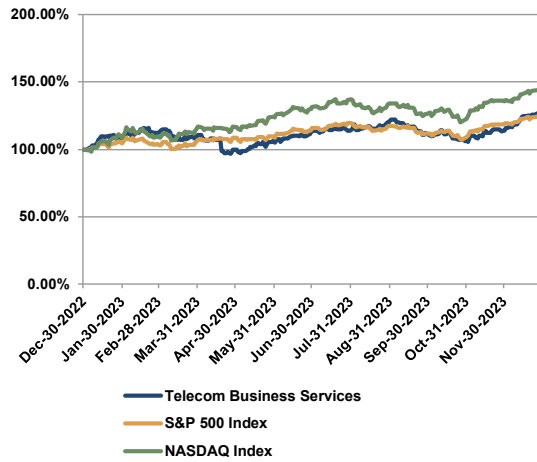
the period at 1.3x revenue and 16.0x EBITDA. Both of these compare favorably to year-ago multiples of 1.0x revenue and 13.3x EBITDA.

Engineering and Construction

Rebounding from a steep drop in our fall report, the Engineering and Construction sub sector performed nicely this period with a 10.0% gain over the past three months. As in the Distributors and Logistics Services sub sector, every single stock was in positive territory for the period. Dycom was the star performer as the company shot up 29.3%, while Mastec delivered a much lower (but still solid) return of 5.2%. Hopefully this period's gains for Dycom and Mastec show that concerns about spending at the large U.S. telecom carriers are starting to ease. For the full year, the sub sector is up 4.7%. The main drag on the sub sector was Mastec, which shed 11.3% of its value over the past 12 months. In stark contrast, COMSYS Holdings and Dycom both enjoyed gains of more than 20%. Multiples for the sub sector declined over the past year. The revenue multiple dipped from 0.8x a year ago to 0.7x currently, while the EBITDA multiple fell from 7.6x to 6.7x.

Telecom Business Services: Public Market Summary

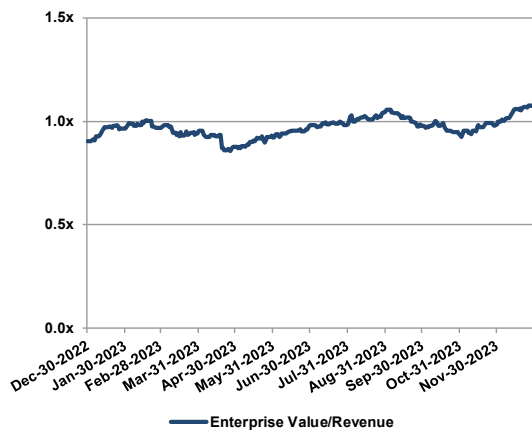
Twelve Month Index Returns



Sector and Sub Sector Returns

	12 Month	3 Month
Telecom Business Services	26.6%	13.8%
Distributors and Logistics Services	35.8%	15.2%
Engineering and Construction	4.7%	10.0%
S&P 500	24.2%	11.2%
NASDAQ	43.4%	13.6%

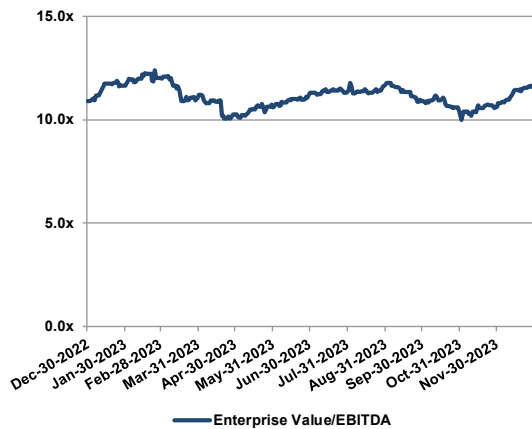
Revenue Multiple Trends



Sector and Sub Sector Revenue Multiples

	12/31/2023	12/31/2022
Telecom Business Services	1.1x	0.9x
Distributors and Logistics Services	1.3x	1.0x
Engineering and Construction	0.7x	0.8x

EBITDA Multiple Trends



Sector and Sub Sector EBITDA Multiples

	12/31/2023	12/31/2022
Telecom Business Services	11.6x	10.9x
Distributors and Logistics Services	16.0x	13.3x
Engineering and Construction	6.7x	7.6x

Source: Capital IQ

M&A Summary Comments

M&A

The pace of M&A activity in the Telecom Business Services sector continued to be relatively sluggish as we closed the books on 2024. The past three months had 19 transactions for \$237 million in total announced transaction dollar volume, both of which are low by historical norms. Unfortunately, this low level of activity was in-line with the trends that we have seen for the entire year. For all of 2024, we only notched 80 transactions with a total announced transaction dollar volume of \$583 million. Both of these totals are far lower than any that we have seen in the past five years.

Distributors and Logistics Services

M&A activity in the Distributors and Logistics Services sub sector picked up somewhat this period with 11 total transactions. This included the transaction with the largest announced transaction dollar volume for the period, the \$200 million purchase of IT asset disposition company Regency Technologies by Iron Mountain. There were also two transactions for third party maintenance solutions providers, most notably the Park Place Technologies acquisition of Xuper. In the final transaction that we will specifically mention, TXO Systems announced its first acquisition since it received private equity backing. This was the acquisition of Lynx UK, a provider of network hardware, asset management and asset disposition services.

Engineering and Construction

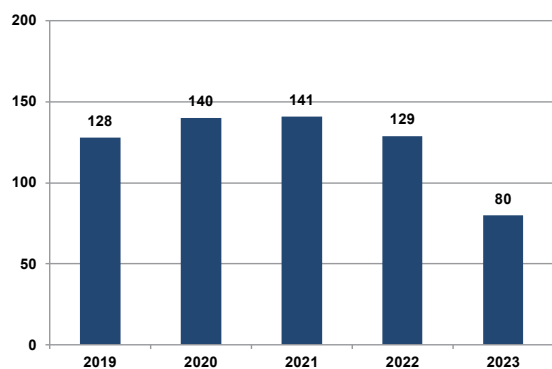
The Telecom Engineering and Construction sub sector saw a significant decrease in activity with only eight transactions in the past three months. This did include a new private equity investment in the space as Tower Arch Capital acquired S&N Communications. We also saw broadband equipment distribution company Millennium acquire broadband engineering company Debauche Communications Services. Activity involving companies serving wireless operators remained very low, although we did see Ontivity purchase wireless network construction company Infinity Construction Solutions. Finally, we noted that Amdocs returned to the deal table this period with its acquisition of telecom consulting company ProCom Consulting.

Transactions with Multiples

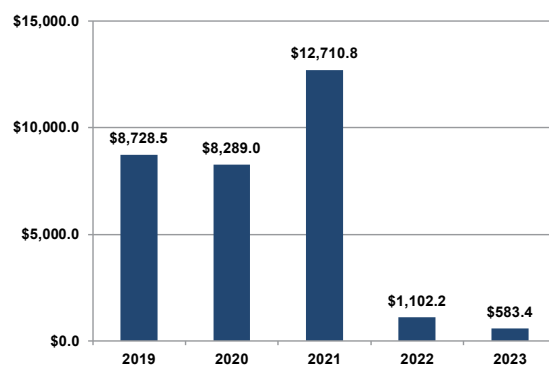
The only transaction this period with an announced multiple was the Iron Mountain acquisition of Regency Technologies. This transaction was done at multiples of 2.0x revenue and 7.5x EBITDA.

Telecom Business Services: M&A Summary

M&A Activity: Number of Transactions



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



M&A Announced Transactions (10/1/23 – 12/31/23)

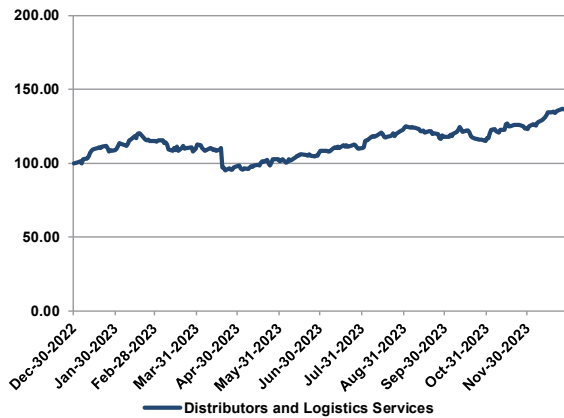
Acquiror	Target	Sector	Date Announced	Purchase Price	Description
TXO Systems	Lynx UK	Distributors & Logistics Services	12/15/23	NA	Telecom network hardware, asset management and asset disposal services for businesses globally.
Tower Arch Capital	S&N Communications	Telecom Engineering and Construction	12/5/23	NA	Communications and electric utilities infrastructure services including turnkey maintenance, repair, upgrade, installation and construction services.
TeleCloud Solutions	DiRAD Technologies	Distributors & Logistics Services	12/4/23	NA	Unified communications, contact center, cloud and interactive voice response solutions.
Flotek	Ikona	Distributors & Logistics Services	11/14/23	NA	Provider of infrastructure planning, software development, cabling, presentation systems and video conferencing.
Groupe DFM	T.R.E.E.S Telecom	Telecom Engineering and Construction	11/21/23	NA	Installation and maintenance of telecommunications equipment in France.
ALSO Holding	Target Holding	Distributors & Logistics Services	11/15/23	NA	Value-added distributor in the IT industry in Austria.
Amdocs	ProCom Consulting	Telecom Engineering and Construction	11/7/23	\$37.0	Consulting services for North American communications service providers and state and local governments.
Closed Loop Partners	Sage Sustainable Electronics	Distributors & Logistics Services	11/2/23	NA	Asset retirement, secure data backups and deletion as well as equipment collection and reuse and an online market place for used equipment.
Iron Mountain	Regency Technologies	Distributors & Logistics Services	11/2/23	\$200.0	Processes end-of-use IT assets.
Millennium	DeBauche Communications Services	Telecom Engineering and Construction	10/26/23	NA	Data engineering, design and consulting services for telecom operators in Wisconsin, Illinois, Arkansas and Texas.
Norlee Investments	Tietjen Technologies	Telecom Engineering and Construction	10/20/23	NA	Installation of network cabling systems in Florida.
Park Place Technologies	Xuper	Distributors & Logistics Services	10/17/23	NA	Provides third party data center maintenance services in the UK, U.S. and Germany.
Phoenix Tower	NOVEC	Telecom Engineering and Construction	10/11/23	NA	Antenna installation services including telecom masts and high-voltage masts in the Netherlands.
Climb Global Solutions	Data Solutions	Distributors & Logistics Services	10/9/23	NA	Distributor of cloud infrastructure and IT security solutions.
Hi-COM Network	Computer Maintenance Agency	Distributors & Logistics Services	10/6/23	NA	Third party maintenance agency that provides a single source for multi-platform hardware maintenance.
Magna5	Advanced Network Systems	Distributors & Logistics Services	10/4/23	NA	Designs and delivers voice and data networking solutions for organizations using a variety of vendor partners.
Mobile Communications America	On Air Solutions	Telecom Engineering and Construction	10/3/23	NA	Provider of in-building wireless communications systems.
Ontivity	Infinity Construction Solutions	Telecom Engineering and Construction	10/3/23	NA	Wireless network construction services including new site builds, tower decommissioning, maintenance, warehousing and small cell services.
Alliance Corporation	DiscountCell	Distributors & Logistics Services	10/2/23	NA	Original and aftermarket cell phone accessories retailing services.

M&A Announced Transactions with Revenue Multiples (1/1/23 – 12/31/23)

Acquiror	Target	Sector	Date Announced	Purchase Price	Revenue Multiple	EBITDA Multiple	Description
Iron Mountain	Regency Technologies	Distributors & Logistics Services	11/2/23	\$200.0	2.0 x	7.5 x	Processes end-of-use IT assets.
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.

Sub Sector Analysis: Distributors and Logistics Services

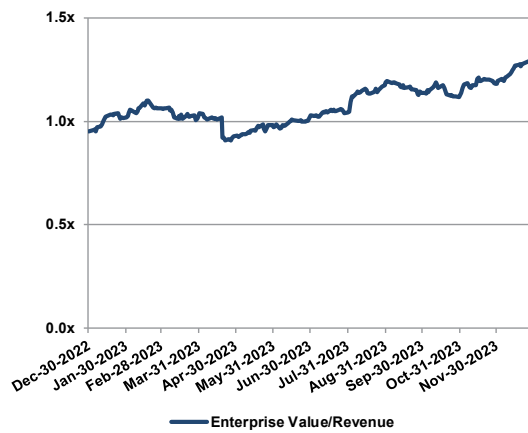
Twelve Month Index Returns



Company Returns

	12 Month	3 Month
Distributors and Logistics Index	35.8%	15.2%
CDW	27.3%	12.7%
ePlus	80.3%	25.7%
Insight	76.7%	21.8%
PC Connection	43.3%	25.9%

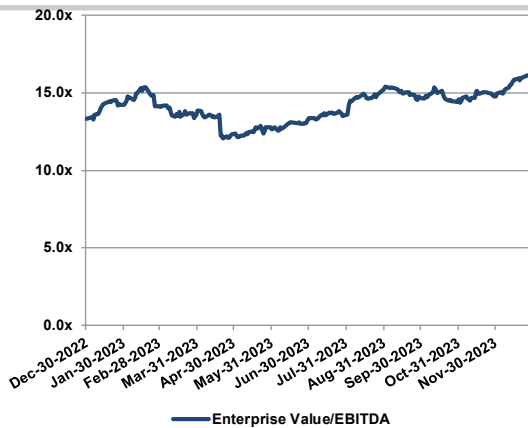
Revenue Multiple Trends



Company Revenue Multiples

	12/31/2023	12/31/2022
Distributors and Logistics Index	1.3x	1.0x
CDW	1.7x	1.3x
ePlus	1.0x	0.7x
Insight	0.7x	0.4x
PC Connection	0.5x	0.4x

EBITDA Multiple Trends



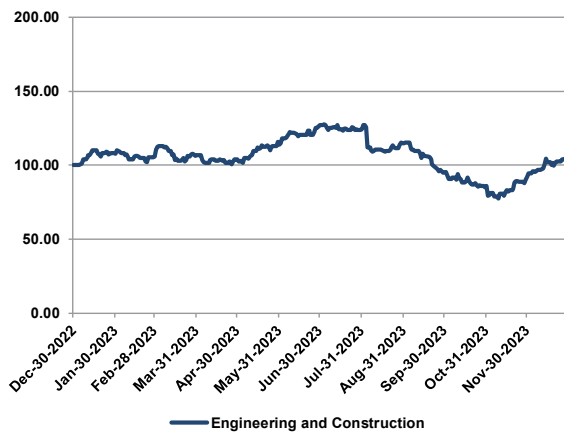
Company EBITDA Multiples

	12/31/2023	12/31/2022
Distributors and Logistics Index	16.0x	13.3x
CDW	18.1x	15.8x
ePlus	11.0x	7.8x
Insight	13.8x	9.8x
PC Connection	13.0x	8.0x

Source: Capital IQ

Sub Sector Analysis: Engineering and Construction

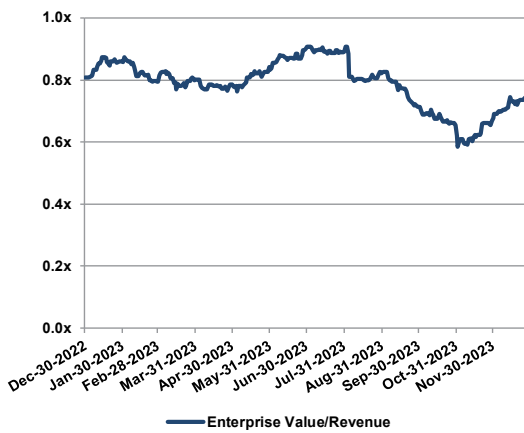
Twelve Month Index Returns



Company Returns

	12 Month	3 Month
Engineering and Construction Index	4.7%	10.0%
Baran Group	-8.3%	8.1%
COMSYS Holdings	25.7%	5.4%
Dycom	23.0%	29.3%
Mastec	-11.3%	5.2%
MIRAIT Holdings	14.4%	0.2%

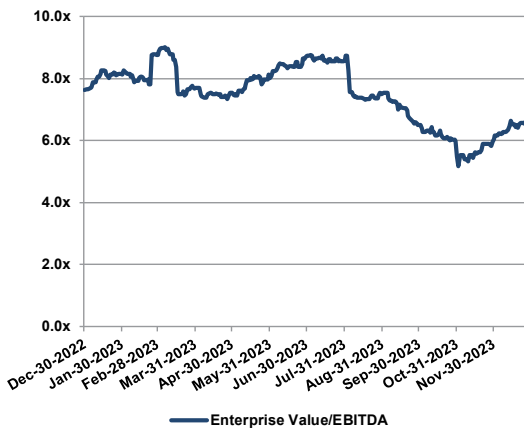
Revenue Multiple Trends



Company Revenue Multiples

	12/31/2023	12/31/2022
Engineering and Construction Index	0.7x	0.8x
Baran Group	0.6x	1.0x
COMSYS Holdings	0.6x	0.5x
Dycom	1.1x	1.0x
Mastec	0.8x	1.0x
MIRAIT Holdings	0.4x	0.3x

EBITDA Multiple Trends



Company EBITDA Multiples

	12/31/2023	12/31/2022
Engineering and Construction Index	6.7x	7.6x
Baran Group	15.0x	35.3x
COMSYS Holdings	7.5x	6.3x
Dycom	9.2x	11.3x
Mastec	11.4x	13.5x
MIRAIT Holdings	5.9x	5.0x

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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