

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

Spring 2024

Vol. 14, No. 2

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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

For the second straight reporting period the FOCUS Telecom Business Services Index (TBSI) enjoyed a double digit return as it jumped up 11.8% in the past three months. This outperformed both the 10.2% gain in the S&P 500 and the 9.1% gain in the NASDAQ over the corresponding time period. The TBSI also delivered a strong return of 27.6% over the past 12 months. However, this return lagged the year-over-year performance of both the S&P 500 (up 27.9%) and the NASDAQ (up 34.0%). Sector multiples are also higher than they were at this time a year ago. The sector revenue multiple increased from 1.0x a year ago to 1.2x currently, while the sector EBITDA multiple increased from 11.2x to 12.5x.

Distributors and Logistics Services

While the Distributors and Logistics Services sub sector broke its streak of being the strongest performer of the TBSI's two sub sectors, it still enjoyed a strong return of 10.0% over the past three months. The sub sector was evenly split between winners and losers with two apiece, but a 12.5% return at CDW and a 4.7% return at insight were enough to bring the sub sector solidly into positive territory. The sub sector is also up 32.7% compared to

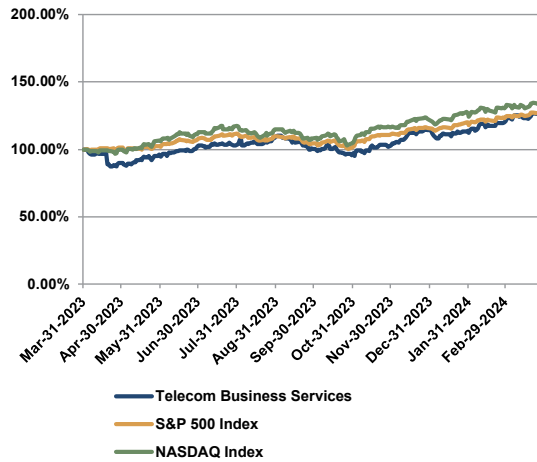
this same time last year. Over this time frame, every single stock in the sub sector had a double-digit return, with the strongest gains coming from ePlus and PC Connection. Sub sector multiples closed out the period at 1.4x revenue and 17.2x EBITDA. Both of these compare favorably to year-ago multiples of 1.0x revenue and 13.8x EBITDA.

Engineering and Construction

The Engineering and Construction sub sector also enjoyed a second straight reporting period with a double-digit gain. In this case, it leaped up 17.3% in the past three months. Gains were broad-based as four of the five stocks in the sub sector were in positive territory, including three with a return of 20% or more. These included U.S. companies Dycom (up 24.7%) and Mastec (up 23.2%). This period's gains helped propel the sub sector to a 14.7% return over the past 12 months. Dycom was the best performing stock over this time period with a gain of 53.3%, while Mastec was the lone company in the sub sector to suffer a year-over-year loss with its 1.3% decline. Sub sector multiples were flat to down over the past year. The sub sector revenue multiple held steady at 0.8x, but the EBITDA multiple dipped from 7.7x down to 7.3x.

Telecom Business Services: Public Market Summary

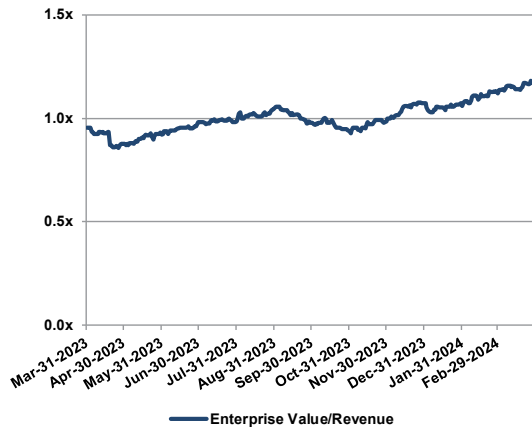
Twelve Month Index Returns



Sector and Sub Sector Returns

	12 Month	3 Month
Telecom Business Services	27.6%	11.8%
Distributors and Logistics Services	32.7%	10.0%
Engineering and Construction	14.7%	17.3%
S&P 500	27.9%	10.2%
NASDAQ	34.0%	9.1%

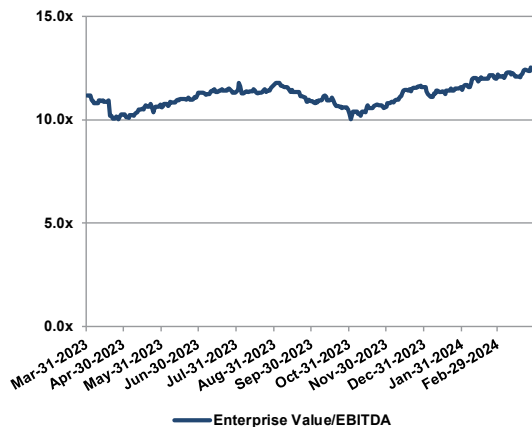
Revenue Multiple Trends



Sector and Sub Sector Revenue Multiples

	3/31/2024	3/31/2023
Telecom Business Services	1.2x	1.0x
Distributors and Logistics Services	1.4x	1.0x
Engineering and Construction	0.8x	0.8x

EBITDA Multiple Trends



Sector and Sub Sector EBITDA Multiples

	3/31/2024	3/31/2023
Telecom Business Services	12.5x	11.2x
Distributors and Logistics Services	17.2x	13.8x
Engineering and Construction	7.3x	7.7x

Source: Capital IQ

M&A Summary Comments

M&A

It was a slow start to 2024 in terms of the level of M&A activity in the Telecom Business Services sector. We counted only 15 transactions in these past three months, none of which had an announced dollar value. While we would caution against reading too much into the year's slow start, it is certainly discouraging to see the pace of M&A activity running below even the relatively anemic pace of activity that we saw in 2023.

Distributors and Logistics Services

For the second straight reporting period the Distributors and Logistics Services sub sector had 11 transactions. In what was likely the period's largest transaction, private equity firm American Securities acquired NWN Corporation from its previous private equity backers. Park Place Technologies continued its acquisitive ways with the acquisition of two more third party maintenance providers. These were SDV Solutions and the third party maintenance business of Northsmart. Finally, we also continued to see significant activity involving companies in the secondary equipment market. Transactions this period were the TXO Systems acquisition of German supplier TEQPORT Services, the Sadoff Iron & Metal Company's purchase of Suncoast Communications and the Greenbox Systems acquisition of Remark-IT Solutions.

Engineering and Construction

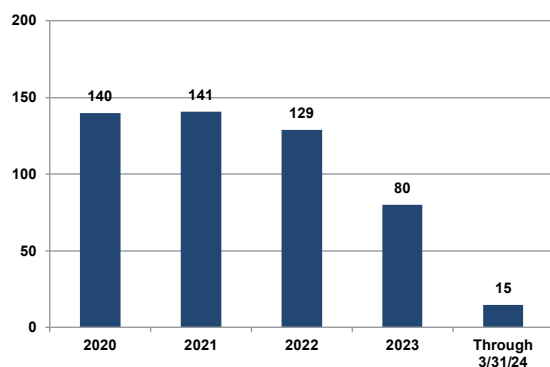
With only four transactions, the Telecom Engineering and Construction sub sector was chiefly responsible for the extremely low level of M&A activity this period. On the plus side, we did see a new platform company in the space with the acquisition of last-mile construction company TAK Communications by Platinum Equity. In addition, existing private equity platform company TD&I Cable Maintenance made its inaugural acquisition with the pickup of Midwest Utility Services. In the sub sector's other two transactions, AFL Telecommunications acquired distributed antenna system construction company Forza Telecom and SPIE acquired German construction company ICG Group.

Transactions with Multiples

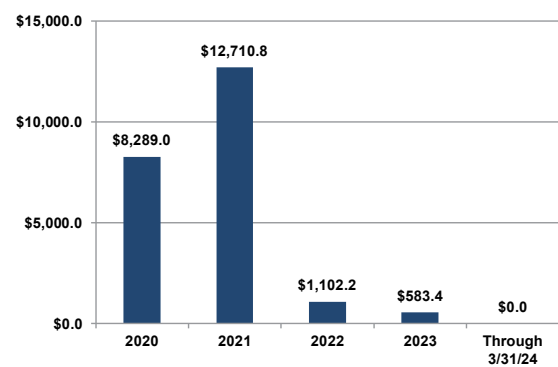
There were no transactions with announced multiples this period.

Telecom Business Services: M&A Summary

M&A Activity: Number of Transactions



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



M&A Announced Transactions (1/1/24 – 3/31/24)

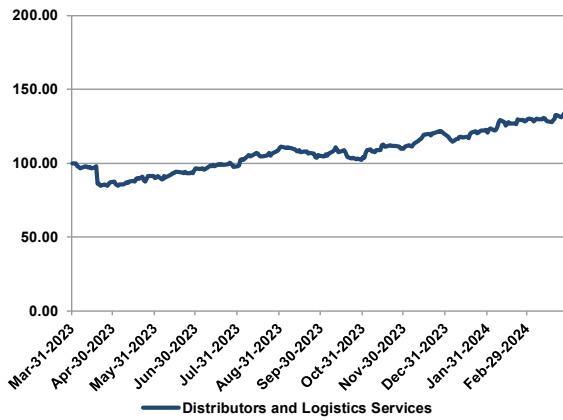
Acquiror	Target	Sector	Date Announced	Purchase Price	Description
Exclusive Networks	NEXTGEN Group	Distributors & Logistics Services	3/28/24	NA	Offers a complementary portfolio of leading enterprise software and value-added cloud solutions.
Park Place Technologies	SDV Solutions	Distributors & Logistics Services	3/26/24	NA	Third-party IT hardware maintenance and support services for federal government agencies in the U.S.
Platinum Equity	TAK Communications	Telecom Engineering and Construction	3/22/24	NA	Provides last-mile cable and fiber drop services, network maintenance, new construction and design and engineering services in more than 40 states.
SPIE	ICG Group	Telecom Engineering and Construction	3/11/24	NA	Telecommunication infrastructure and services for network operators, infrastructure providers and municipalities in Germany.
Greenbox Systems	Remark-IT Solutions	Distributors & Logistics Services	2/26/24	NA	Commissioning, secure disposal and remarketing of information technology equipment services for leasing companies and government agencies.
American Securities	NWN Corporation	Distributors & Logistics Services	2/6/24	NA	Security, experience management platforms, device-as-a-service, unified communications, contact center and other technology solutions.
ALSO Holding	Datamatic	Distributors & Logistics Services	2/2/24	NA	Distributes information technology products such as servers, storage systems and networking products in Italy.
ePlus	PEAK Resources	Distributors & Logistics Services	1/29/24	NA	Provider of technology solutions and services including hardware, software and support to businesses, government and educational entities.
TD&I Cable Maintenance	Midwest Utility Services	Telecom Engineering and Construction	1/24/24	NA	Directional drilling, cable plowing and related services for the installation and maintenance of fiber optic networks and critical infrastructure.
Park Place Technologies	Northsmart (Third Party Maintenance Business)	Distributors & Logistics Services	1/23/24	NA	Third-party IT maintenance and support services including IT hardware maintenance, server management, storage, networking and audit services.
Sadoff Iron & Metal Company	Suncoast Communications	Distributors & Logistics Services	1/15/24	NA	New, used and refurbished telecommunication and networking equipment buying, selling and distribution services for businesses globally.
TXO Systems	TEQPORT Services	Distributors & Logistics Services	1/11/24	NA	Network asset recovery and decommissioning services including recycling, logistics, processing, IT remarketing and reworking.
AFL Telecommunications	Forza Telecom	Telecom Engineering and Construction	1/3/24	NA	Distributed antenna systems integration services for sports venues in the U.S.
Driven Technologies	ieMentor	Distributors & Logistics Services	1/3/24	NA	Cisco-partnered IT services such as enterprise networking, security services, collaboration, datacenter, cloud and wireless site surveys.
TD SYNEX	Cokeva	Distributors & Logistics Services	1/2/24	NA	IT equipment repair, test, and refurbishment services including depot repair, end-of-life support, spare parts management and warranty repair.

M&A Announced Transactions with Revenue Multiples (4/1/23 – 3/31/24)

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

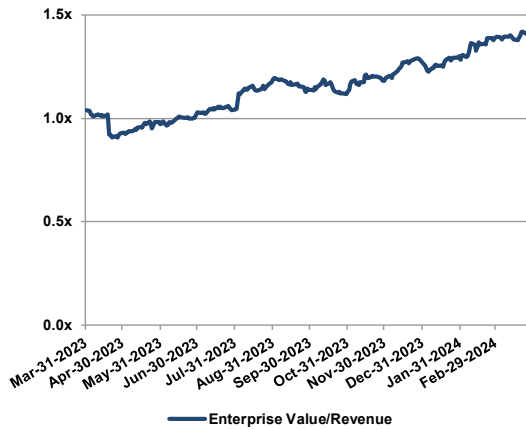
Twelve Month Index Returns



Company Returns

	12 Month	3 Month
Distributors and Logistics Index	32.7%	10.0%
CDW	31.2%	12.5%
ePlus	60.2%	-1.6%
Insight	29.8%	4.7%
PC Connection	46.6%	-1.9%

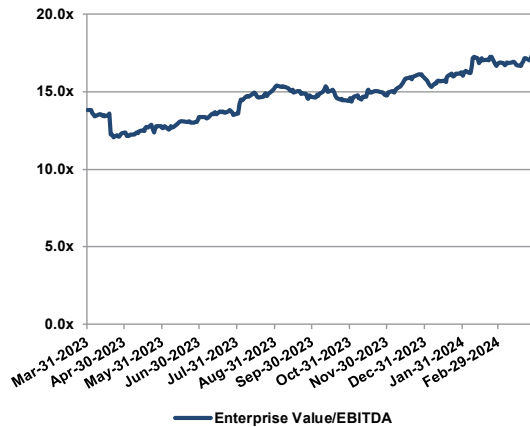
Revenue Multiple Trends



Company Revenue Multiples

	3/31/2024	3/31/2023
Distributors and Logistics Index	1.4x	1.0x
CDW	1.9x	1.4x
ePlus	1.0x	0.7x
Insight	0.8x	0.6x
PC Connection	0.5x	0.3x

EBITDA Multiple Trends



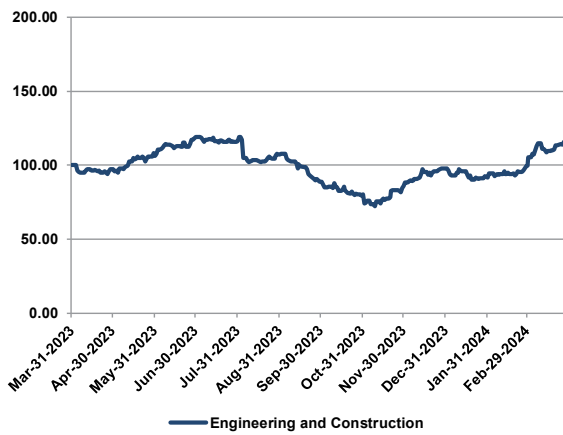
Company EBITDA Multiples

	3/31/2024	3/31/2023
Distributors and Logistics Index	17.2x	13.8x
CDW	19.7x	16.0x
ePlus	10.5x	8.1x
Insight	14.2x	11.9x
PC Connection	12.2x	8.8x

Source: Capital IQ

Sub Sector Analysis: Engineering and Construction

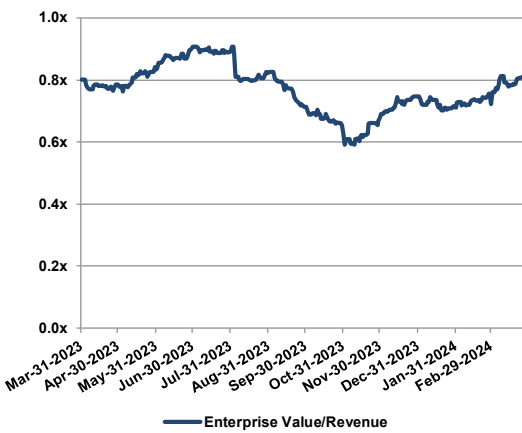
Twelve Month Index Returns



Company Returns

	12 Month	3 Month
Engineering and Construction Index	14.7%	17.3%
Baran Group	17.5%	21.1%
COMSYS Holdings	27.6%	6.3%
Dycom	53.3%	24.7%
Mastec	-1.3%	23.2%
MIRAIT Holdings	1.8%	-4.2%

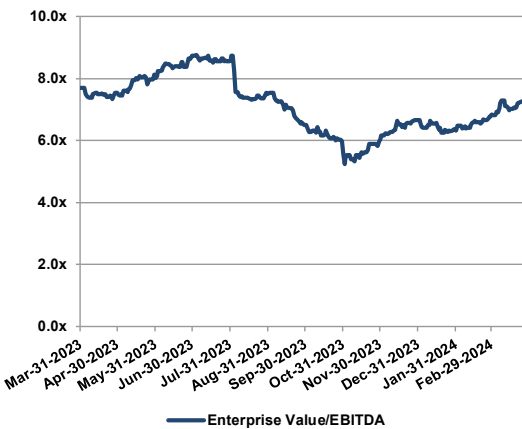
Revenue Multiple Trends



Company Revenue Multiples

	3/31/2024	3/31/2023
Engineering and Construction Index	0.8x	0.8x
Baran Group	0.6x	0.8x
COMSYS Holdings	0.6x	0.5x
Dycom	1.2x	0.9x
Mastec	0.9x	1.0x
MIRAIT Holdings	0.5x	0.4x

EBITDA Multiple Trends



Company EBITDA Multiples

	3/31/2024	3/31/2023
Engineering and Construction Index	7.3x	7.7x
Baran Group	6.9x	NM
COMSYS Holdings	7.5x	6.3x
Dycom	10.2x	9.6x
Mastec	13.6x	14.4x
MIRAIT Holdings	7.7x	5.9x

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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