

COVID-19 UNDERSCORES THAT TELECOM IS AN ESSENTIAL BUSINESS

The COVID-19 pandemic has driven Zoom video meetings from 10 million to 300 million sessions per day. Other video conferencing applications are likewise seeing greatly increased demand. The long-heralded vision that a substantial portion of employees will be working from a virtual home office has arrived, with Covid-19 exclamation points. Include streaming, cloud dependent apps, and traffic on virtual private networks, and it all adds up to greatly increased bandwidth demand.

Generally, the industry's networks have held up well, with outages and slows remaining a rare occurrence. This is because carriers construct their networks to handle peak demand. Fortunately, there has been a balance between demand for streaming services and Internet surfing (mostly in the evening) and business usage (primarily daytime).

The 5G world ahead, with its huge bandwidth-eating applications, will place demands on many parts of the network beyond existing capacity. 4G or 5G, cable-TV, or fiber, all will need to be ready for this demand.

Most telecom businesses during Covid-19 have been designated as "essential." This includes service providers, engineering and design firms, construction, and other businesses which are critical to the maintenance and expansion of the public networks.

Meridian surveyed vendors and service providers. Most service providers are handling increased requests for new and upgraded services; and reporting network traffic increases ranging up to 50% above normal.



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Fulfillment firms, responsible for home and business installation and service, have added numerous Covid-19 protocols to protect employees and customers. In some cases, service calls requiring inside-the-home activity has been curtailed or streamlined; with the homeowner being directed to handle much of the inside requirement.

The installation and construction firms we spoke with all indicated they continue to be on or over budget for the year, with work in progress continuing unabated in most cases.

Some firms see Covid-19 fallout in the form of new business awards promised but delayed until later this year.

At Meridian Capital, we cover the telecommunications industry in which service providers and vendors will be increasingly important segments in the coming months and years. Private equity and strategic buyers are taking note of this fundamental shift in industry demand, and business owners and CEOs in the space are facing a critical strategic moment as the spotlight has been thrust upon their industry. Those who have a clear strategy and can prioritize the right growth initiatives will likely have access to capital to do so, as well as opportunities to grow inorganically through acquisition.



WHAT WE'RE READING:

[The Telecom Industry Is Proving Essential in The COVID-19 Response](#), *Forbes*

Takeaway: Telecom operators will continue to lead the effort for remote working, online learning, and social distancing as we transition into the "new normal."

[Telecom Sector Will Shine in Post Covid-19 Era](#), *GlobalData*

Takeaway: In the post COVID-19 era, telcos are expected to perform well as the world will be more connected and businesses better prepared for such calamities, bolstering the broader industry for sustained growth for years to come.

>> NEXT UP: Trends We're Seeing

MARKET IMPACTS OF COVID-19 ON TELECOM SERVICE AND VENDOR SECTORS

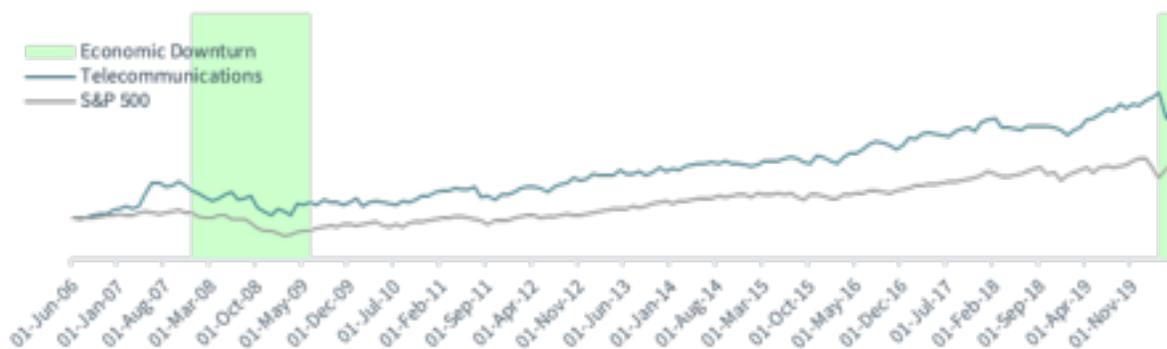
Essential Telecommunications Also Challenged by COVID-19

- Most telecommunications services are deemed essential and can continue operations
- Large impacts are felt across the sector as the increased demand for networking infrastructure and connectivity strain the work force and supply chain

The Telecommunications Industry is Likely to Evolve Because of COVID-19

- Service providers proved that they were well equipped to meet increased bandwidth demand with millions of employees and students working from home due to shelter-in-place and lockdown policies
- With businesses realizing employees can effectively work remotely, many expect a new hybrid-working environment to evolve, resulting in this increased bandwidth demand to be sustained
- Service providers will be forced to shift their attention to providing better home-based solutions

HISTORICAL PERFORMANCE INDICATES STRONG COMEBACK HIGHLY PROBABLE



TELECOMMUNICATIONS INDEX METRICS

Telecom Service and Vendors									
(US \$ in millions)									
Company	Current Closing Price	52 wk. High	52 wk. Low	Enterprise Value	TTM Revenue	TTM EBITDA	Enterprise Value / Revenue	Enterprise Value / EBITDA	
Wireless Telecommunications Services									
AT&T Inc.	\$30	\$40	\$26	\$409,384	\$179,145	\$55,894	2.3x	7.3x	
Verizon Communications Inc.	\$58	\$62	\$49	\$371,065	\$131,350	\$42,664	2.8x	8.7x	
T-Mobile US, Inc.	\$87	\$101	\$64	\$163,652	\$45,031	\$12,494	3.6x	13.1x	
Fiber Infrastructure and Broadband Services									
Comcast Corporation	\$38	\$48	\$32	\$287,166	\$108,692	\$32,738	2.6x	8.8x	
CenturyLink, Inc.	\$10	\$15	\$8	\$46,642	\$21,982	\$8,442	2.1x	5.5x	
Cogent Communications Holdings, Inc.	\$83	\$90	\$53	\$4,364	\$553	\$181	7.9x	24.1x	
Cincinnati Bell Inc.	\$15	\$16	\$3	\$2,716	\$1,537	\$332	1.8x	8.2x	
Wireless Towers									
American Tower Corporation	\$249	\$259	\$174	\$147,293	\$7,760	\$4,480	19.0x	32.9x	
Crown Castle International Corp.	\$157	\$169	\$114	\$86,365	\$5,763	\$3,109	15.0x	27.8x	
Engineering and Construction									
AECOM	\$31	\$52	\$22	\$9,009	\$16,577	\$244	0.5x	36.9x	
Quanta Services	\$34	\$44	\$24	\$7,434	\$12,069	\$818	0.6x	9.1x	
MasTec	\$38	\$74	\$23	\$5,043	\$7,081	\$801	0.7x	6.3x	
KBR	\$21	\$32	\$12	\$4,450	\$5,836	\$328	0.8x	13.6x	
Dycom Industries	\$29	\$61	\$12	\$2,217	\$3,320	\$266	0.7x	8.3x	
MYR Group (NAS:MYRG)	\$24	\$38	\$16	\$688	\$2,122	\$108	0.3x	6.5x	

*As of 6/8/2020

NOTABLE TELECOMMUNICATIONS SUBSECTOR TRANSACTIONS

Engineering and Construction Services

Sustained deal flow for engineering and construction services proves the resilience of the sector



Broadband Providers

Promise of 5G technology underscores the growing demand for consumer connectivity, resulting in strong private equity interest in broadband providers



RECENT TELECOMMUNICATIONS SERVICE AND VENDOR TRANSACTIONS

Telecom Service Vendor Transactions				EV		
Date	Target	Buyer	Description	EV (\$M)	Rev.	EBITDA
May-20	Inviacom, Inc.	GI Partners, Single Digits	Wireless internet networks, VoIP, and training.			
May-20*	Network Business Systems (ISP Business)	Nextlink Internet	Internet services based in Geneseo, Illinois.			
May-20	Vergent Communications, LLC	Clairvest Gr., Meriplex Comm.	Telecom. and managed cloud services.			
Apr-20	Neutrone Networks Int. LLC	Transtelco	Telecommunication network services.			
Apr-20*	FamilyView Cablevision	Vye Broadband	Broadband telecommunication services.			
Apr-20	Pearce Services, LLC	New Mountain Capital	Eng. maint., and upgrades for networks.			
Apr-20	Knight Enterprises Inc.	Mill Point Capital	Communication infrastructure services.			
Mar-20	Illinois Network Alliance, LLC	Bluebird Network, Macquarie AM	High-speed broadband and fiber-optic.			
Mar-20	nexVortex, Inc.	BGM One, Thompson St. Capital	Cloud communication services.	\$40		
Mar-20	Atlink Services LLC	ccc, Hinton Telephone Company	Fixed-wireless internet.			
Mar-20	FbAire Communications, LLC	Boston Omaha	Broadband internet services and Telephone.			
Mar-20	Inseego Corp.	Mubadala Investment Company	Wireless broadband access services.			
Mar-20*	Jaguar Communications, Inc.	Metro-Net, Oak Hill Capital	Advanced telecommunication services.			
Mar-20	Zayo Group, LLC	Ardan, Digital Colony, EQT, Fisher Lynch	Communications infrastructure.	\$20,019	7.7x	17.1x
Mar-20	Gow Networks, Inc.	Altius Technologies	Consulting, engineering, and network services.			
Feb-20*	Xplornet Communications, Inc.	Stonepeak Infra. Partners	Wireless broadband to users in Canada.	\$2,000		
Feb-20	QWireless, LLC	Watch Communications	Broadband internet services.			
Feb-20*	En-Touch Systems, Inc.	CapitalG, RCN, TPG Capital	High-speed internet, digital TV, and phone.			
Feb-20	Silo Wireless, Inc.	Xplornet, Catalyst, Werkbund, Sandler	Broadband services in Canada.			
Feb-20	CMS Wireless, LLC	Enertech Holdings	Wireless telecommunications construction.	\$18		
Feb-20	Comm. Tech. Services, LLC	Astra Capital	Converged Wireless services.			
Feb-20*	Primelink, Inc.	Antin Infra., FirstLight Fiber	Voice and data services.			
Feb-20	Electronet Broadband Communications	Hargray, Redwood, Stephens, Pritzker	Fiber-based broadband.			
Feb-20	Openface, Inc.	Beechfield Metroconnect, Digital Colony	Fiber-based telecom services to businesses.			
Jan-20	Fatbeam, LLC	SDC Capital Partners	Fiber-based solutions.			
Jan-20	Recompany	Alliance	Consulting engineering firm.			
Jan-20	Summit Broadband, Inc.	Grain Management	Broadband communication services.	\$333	6.1x	21.0x
Jan-20	Arrow Business Comm. Ltd.	MMI Capital Partners	Communication services.	\$65	2.3x	
Jan-20	St-Co, LLC	Watch Communications	Telecommunication services.			
Jan-20	Qadar Holdings Group Co., Ltd.	Ting	Telecommunication services.			

*Transaction in progress; represents date of announcement

Meridian's Telecommunications Team

INDUSTRY EXPERIENCE

Meridian's telecommunications practice offers access to industry-wide strategic and financial partner relationships, deep sector expertise, and proven transaction experience to help maximize shareholder value.

TRANSACTION EXPERTISE

- Mergers & Acquisitions
- Growth Capital
- Strategic Advisory

TAILORED PROCESSES

- High-Touch Approach
- Multidisciplinary Deal Team
- End-to-End Services

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About Meridian Capital

Meridian Capital (www.meridianllc.com), a Seattle-based M&A advisory firm, has served as a trusted advisor to business owners on complex corporate finance, M&A, and strategic challenges for over 20 years. The firm differentiates itself through its deep industry insights, highly customized service approach, and end-to-end commitment to execution.

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