



J&A Sell-Side M&A Report

Enterprise Telecom Communication Services and Solutions M&A Transactions and Valuations

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AUTHORS



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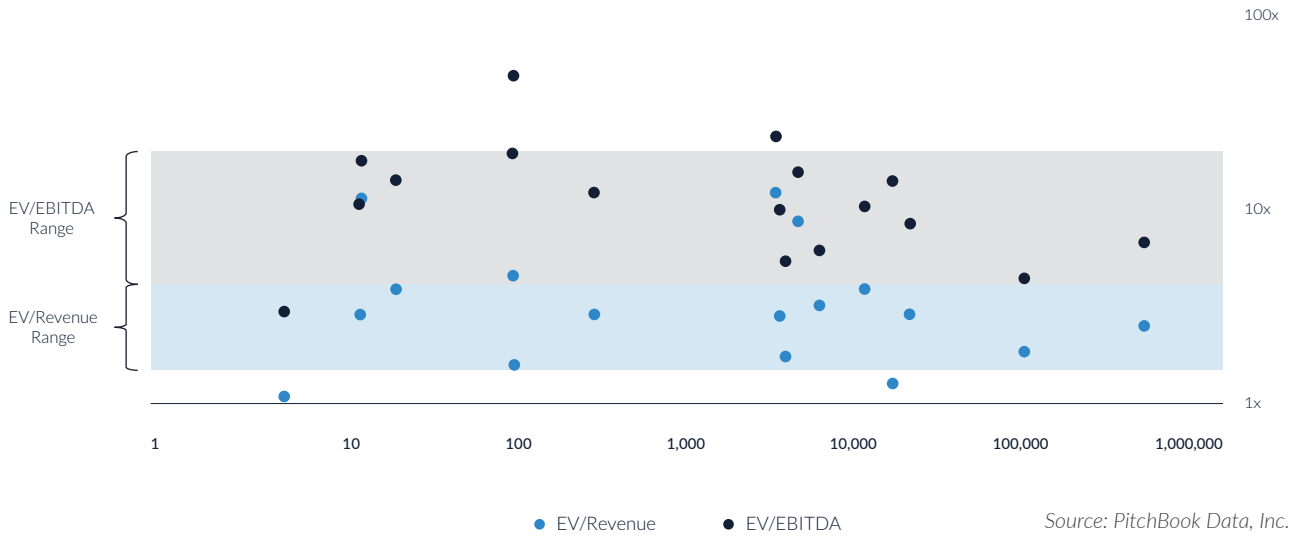
Between Q1 2020 and Q2 2024, acquirers deployed \$56 billion in enterprise telecom communication services and solutions. The sector encompasses all levels of enterprise Wi-Fi connectivity, telephony, communications IT infrastructure, and related communication services for businesses.

Most transactions conducted and capital invested in the enterprise telecom communications services and solutions sector were by European-based acquirers. European acquirers contributed \$26 billion across 201 transactions, highlighting their appetite for larger transactions. North American acquirers also contributed significantly with 35% of all capital invested in the sector across 119 transactions.

Strategic mergers and acquisitions contributed to the majority of transactions and capital invested in the sector with an average deal size of under \$90 million. This highlights the appetite for middle-market strategic acquisitions and add-ons. Buyout and leveraged buyout transactions accounted for approximately one-third of all deals, with an average size of over \$160 million.

Enterprise telecom communication services and solutions founders and shareholders should be aware of exit opportunities presented by strategic acquirers from Europe and North America.

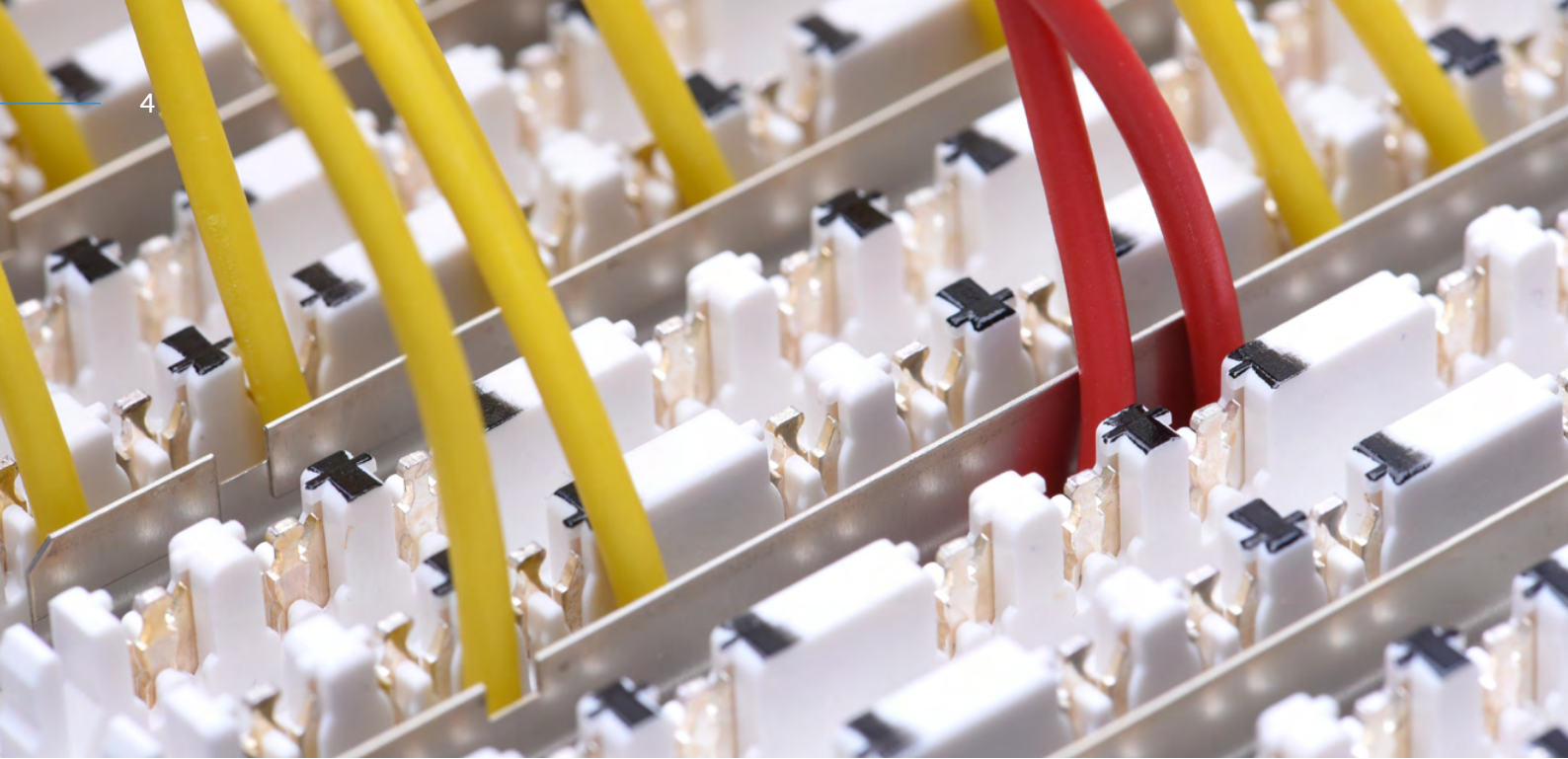
Enterprise Telecom Communication Services and Solutions Valuation Multiple Analysis (Q1 2020 – Q2 2024)



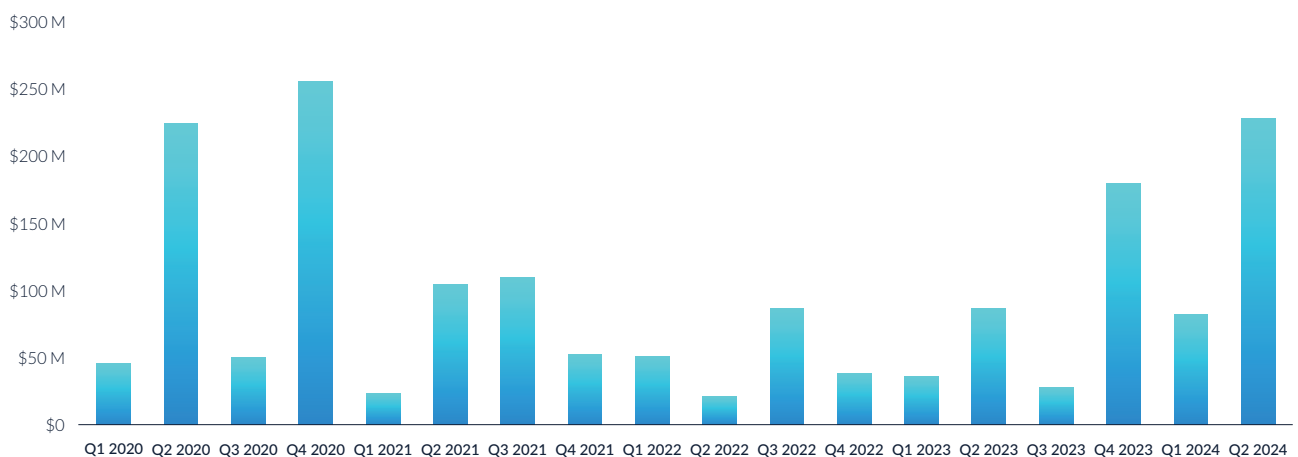
Note: Data on the X and Y axes are shown on a logarithmic scale for better graphic representation; this does not impact the valuation multiples.

EV / REVENUE		
RANGE	MEAN	MEDIAN
1 X - 5 X	4.1 X	3.1 X
EV / EBITDA		
RANGE	MEAN	MEDIAN
5 X - 21 X	15.4X	11.2 X

- The valuation multiples are based on a sample set of publically listed podcasting and podcast advertising companies and M&A transactions in the sector. The data was collected on August 29, 2024.
- The sample set trades at an enterprise value to EBITDA multiple range of between 5x and 21x with an increase in average multiples as the enterprise value increases.
- Average enterprise value to revenue multiples ranged from 1x and 5x.



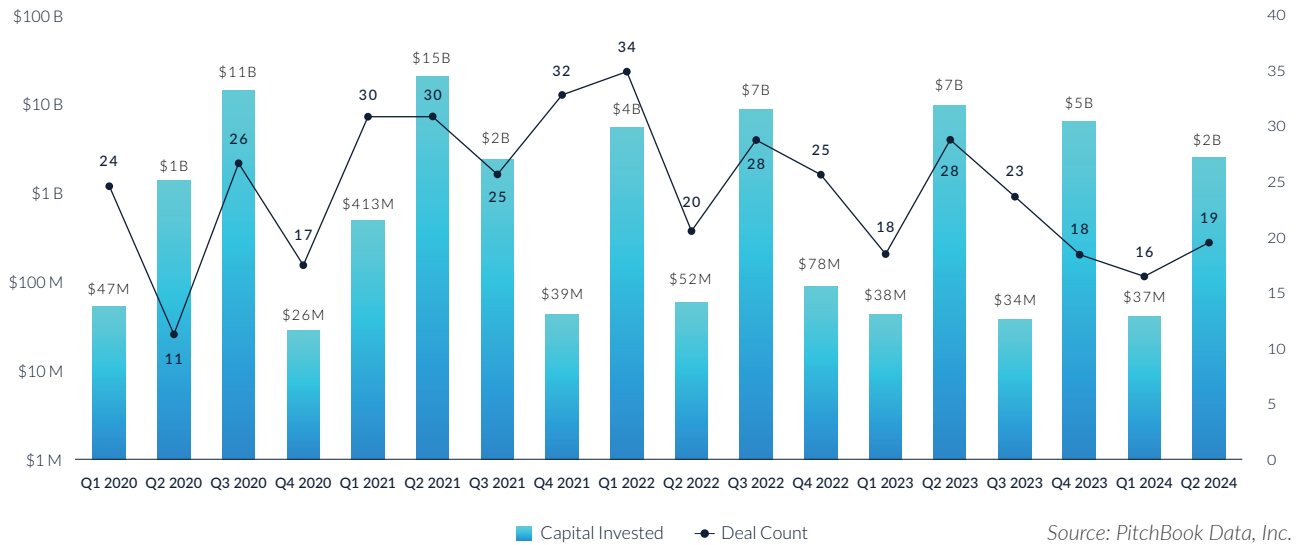
Enterprise Telecom Communication Services and Solutions Median Transaction Size (Q1 2020 – Q2 2024)



Source: PitchBook Data, Inc.

- The median transaction size ranged widely with peaks of over \$200 million seen in Q4 2020, Q2 2020, and Q2 2024. This was driven by large transactions conducted by strategic acquirers.
- The median deal size was under \$50 million for 9 of the 16 quarters between the start of 2020 and the end of 2023. This could indicate an abundance of activity in the lower middle markets and an appetite for smaller transactions.
- Since Q4 2023, the median transaction size has increased significantly, which could signal the rebound of large acquisitions in the sector and an increase in capital available for acquisitions.

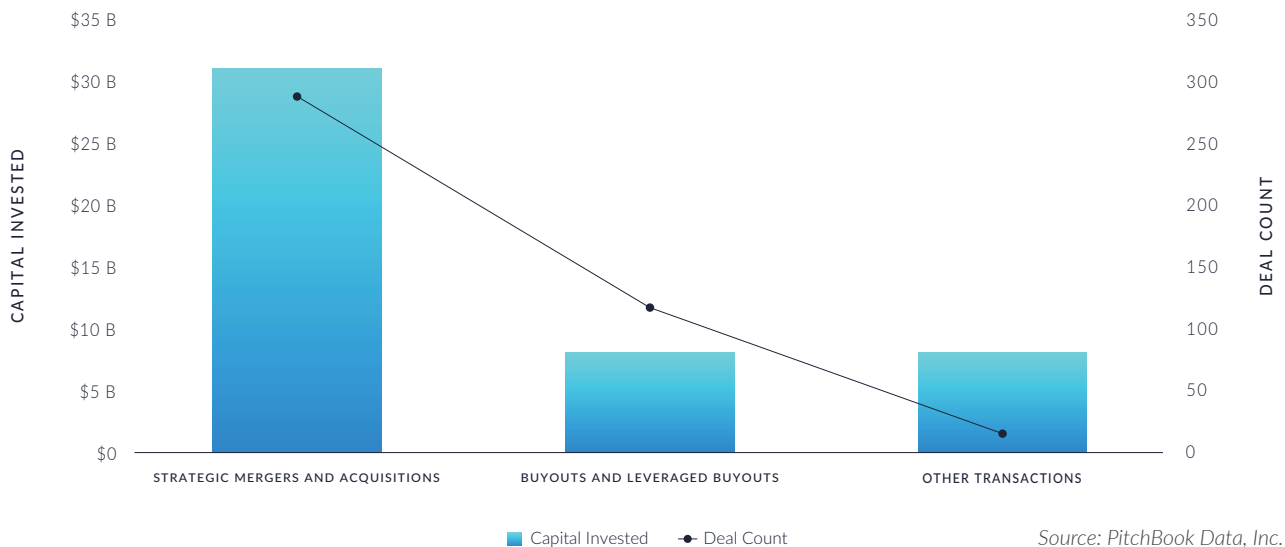
Enterprise Telecom Communication Services and Solutions M&A Transactions (Q1 2020 – Q2 2024)



Note: Data on the X and Y axes are shown on a logarithmic scale for better graphic representation; this does not impact the valuation multiples.

- Between Q1 2020 and Q2 2024, \$56 billion was deployed across 424 enterprise telecom communication services and solutions acquisitions. The average transaction value was \$132 million, highlighting the volume of transactions in middle and upper-middle markets.
- The most significant deployment of capital, \$15 billion, occurred in Q2 of 2021. Several large strategic acquisitions in Europe drove the large capital outlay in both Q2 of 2021 and Q3 of 2020.
- While the deal count shows variability, it remains above 16 per quarter. This consistency indicates a stable interest in deal-making, even as the investment amounts fluctuate. The exception was Q2 of 2020 when only 11 transactions were conducted. This was likely driven by market uncertainty caused by the pandemic and economic lockdowns. The largest deal count in the enterprise telecom communication services and solutions occurred in Q1 of 2022 with 34 M&A transactions.

Breakdown of Announced Enterprise Telecom Communication Services and Solutions M&A Transactions by Deal Type (Q1 2020 – Q2 2024)

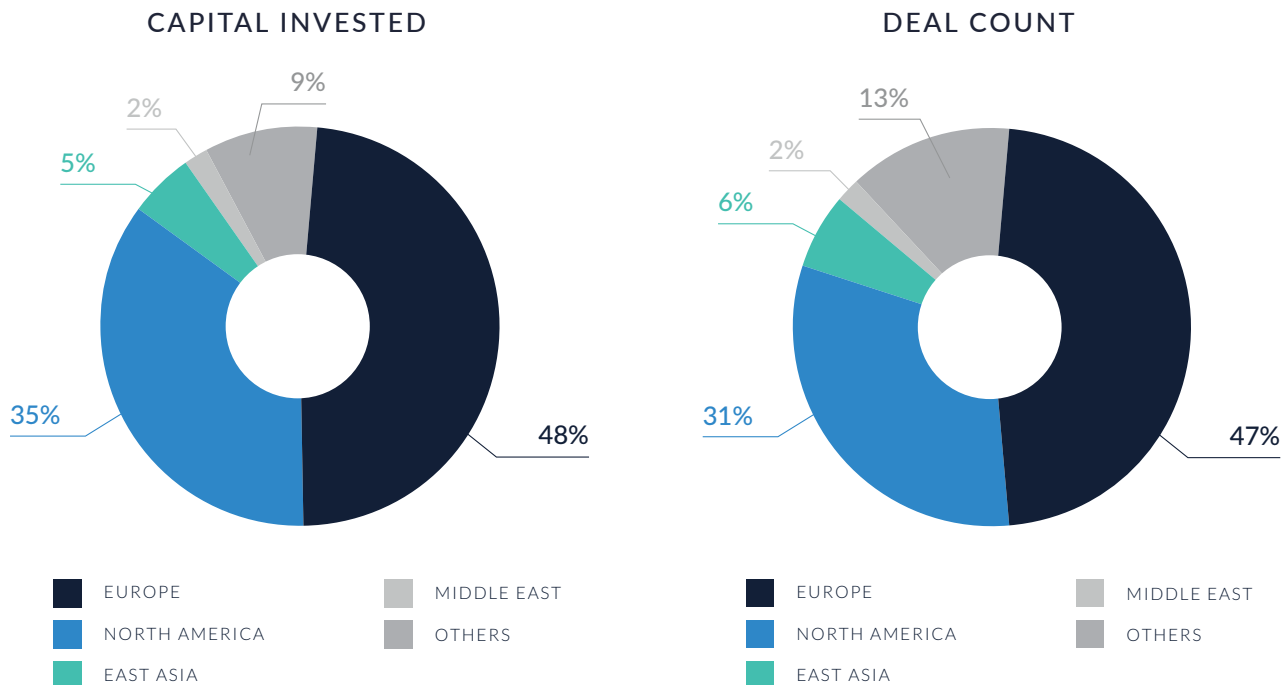


- Transactions by strategic acquirers in M&A transactions dominated the sector. They contributed \$31 billion of capital invested in the sectors while conducting 288 transactions. The average transaction size of \$90 million highlights the appetite for middle-market acquisitions.
- Buyouts and leveraged buyouts accounted for \$19 billion of capital invested across

119 M&A transactions in the enterprise telecom communication services and solutions industry. The average transaction size of \$160 million indicates the appetite for private equity acquisitions in the upper-middle market.

- Add-ons and other transactions accounted for less than 10% of capital deployed respectively.

Breakdown of Announced Enterprise Telecom Communication Services and Solutions by Region (Q1 2020 – Q2 2024)



Source: PitchBook Data, Inc.

- European-based acquirers dominated the capital invested in the enterprise telecom communication services and solutions sector, with over \$26 billion across 201 transactions. This could be due to a variety of factors, including the demand for upgrading legacy infrastructure, larger margins in Europe, or the abundance of smaller firms leading to role-up opportunities.
- Acquirers based in Italy, the United Kingdom, and Germany were the most active in the sector by deploying 13%, 11%, and 5% of total capital respectively.
- North American acquirers, particularly in the US and Canada, conducted roughly

one-third of capital invested (\$20 billion) and deal count (133) in the sector. The dominance of large telecommunication companies in the sector may affect the competitiveness of the enterprise solutions sector leading to fewer acquisition targets.

- The rest of the world exhibits a noticeable spike in the deal count, but an exceedingly small share of the capital deployed. This implies a wide distribution of smaller deals across various countries not individually listed. These smaller markets collectively engage in a considerable number of enterprise telecom communication services and solutions transactions, but each deal tends to be small, reflecting diverse capital market activities.

TRANSACTION SPOTLIGHT: DALY SYSTEMS



THE COMPANY

Daly Systems is a UK-based provider of telecommunications solutions for businesses. The company offers connectivity, telephony solutions, cloud solutions, infrastructure, IT services, and other related services, providing clients with customized enterprise solutions.

The company was acquired by Onecom for an undisclosed amount through their financial sponsors LDC and Ares Management.

For more information on how transaction structures impact seller liquidity, see Jahani and Associates' article [here](#).

TRANSACTION TYPE

LEVERAGED BUYOUT

DEAL DATE

JUNE 19, 2024

ACQUIRER

ONECOM

TRANSACTION SIZE

UNDISCLOSED

Enterprise telecom communication services and solutions include enterprise Wi-Fi connectivity, telephony, communications IT infrastructure, and related communication services. The sector is dominated by large acquisitions by European strategic acquirers and smaller transactions conducted by North American acquirers.

Enterprise Telecom Communication Services and Solutions companies should be mindful of exit opportunities. EBITDA multiple in the sector ranged between 5x and 21x in the period with technology and intellectual property contributing significant increases in multiples.