

# Tech Insights #293

## EROAD takeover

Mergers & acquisitions  
Corporate finance advisory  
Capital raising  
3 July 2023



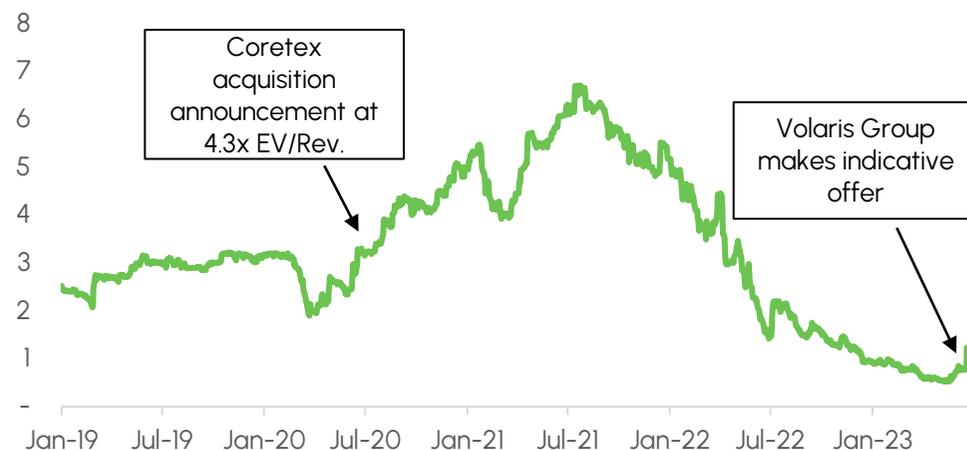
### Overview

This Tech Insights report looks at the recent proposed full takeover for EROAD by Constellation Software (via Brillian, a subsidiary of Volaris Group). The takeover offer has been made at an interesting time where EROAD has experienced significant revenue growth in the US. In this report, we take a look at EROAD's financial metrics to date, how the offer matches against comparable companies and transactions, and an overview of Constellation Software's recent acquisition activities in the Australasian region.

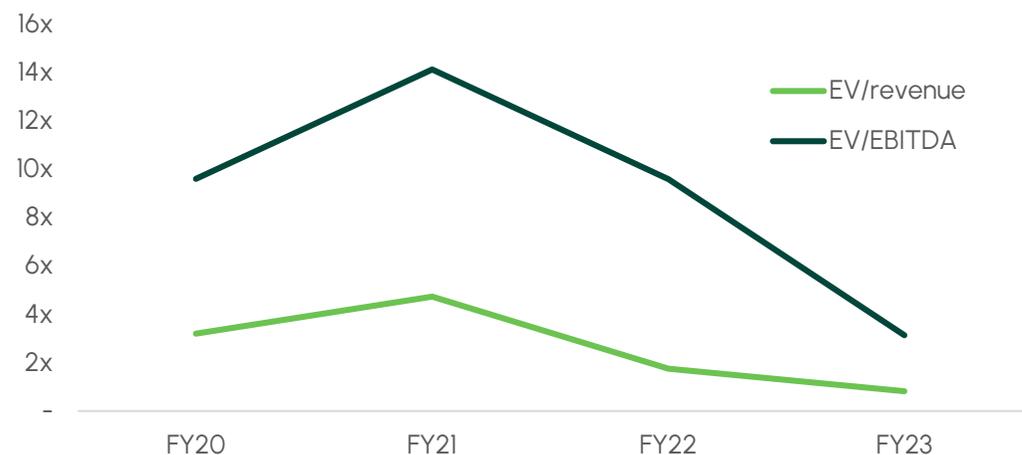
### Transaction summary

<b>Offer summary</b>	<ul style="list-style-type: none"> <li>Constellation Software (via Brillian, a subsidiary of Volaris Group) has made a takeover offer at NZD \$1.30/share for EROAD</li> </ul>
<b>Parties involved</b>	<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;"> <p><b>Acquirer</b></p>  <p><b>VOLARIS</b></p> </div> <div style="text-align: center;"> <p><b>Brillian</b></p>  </div> <div style="text-align: center;"> <p><b>Target</b></p>  </div> </div>
<b>Valuation offer</b>	<ul style="list-style-type: none"> <li>Market capitalisation (NZD \$m): \$147m</li> <li>Net debt (NZD \$m): \$70m</li> <li>Enterprise value (NZD \$m): \$217m</li> </ul>
<b>Events to date</b>	<ul style="list-style-type: none"> <li>30 May: 4m shares acquired by Volaris @ 77cents/share</li> <li>21 June: c. 16m shares acquired by Volaris @ 1.30/share</li> <li>Current acquired interest for Volaris: 17.7% of total shares</li> </ul>

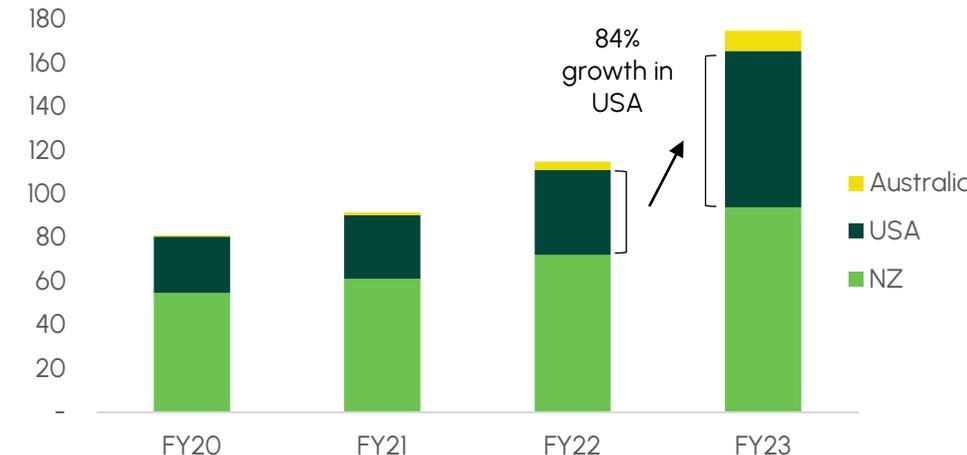
### EROAD share price (NZD \$)



### EROAD EV/revenue and EV/EBITDA multiples



### EROAD geographic revenue breakdown (NZD \$m)



# Tech Insights #293

## EROAD takeover

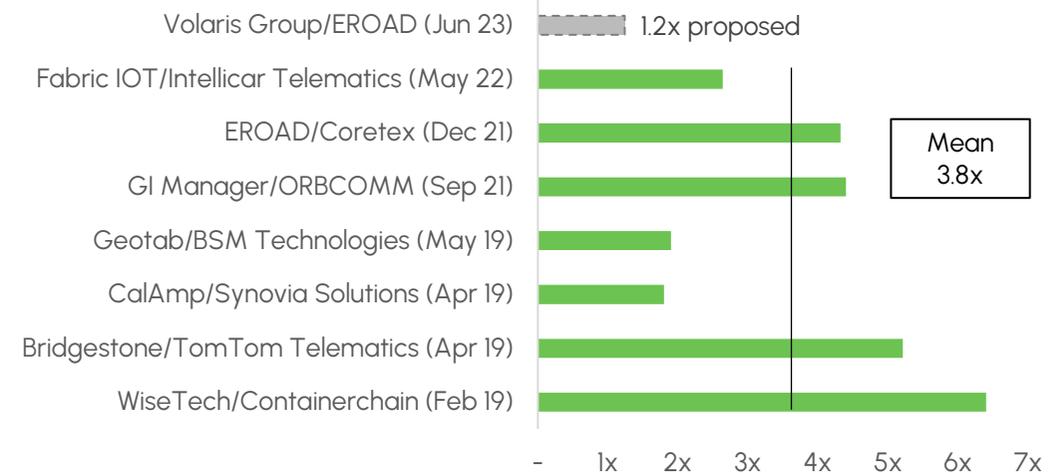
Mergers & acquisitions  
Corporate finance advisory  
Capital raising  
3 July 2023



### Australasian comparable company metrics to pre-announcement

Metrics	Pre-announcement								
	NZX: ERD	NZX: ERD	NZX: GTK	NZX: IKE	NZX: SKO	NZX: VGL	NZX: RAK	ASX: XRO	ASX: CXZ
EV/Rev	0.9x	1.2x	2.6x	3.5x	7.6x	2.8x	1.1x	13.9x	2.6x
EV/EBITDA	3.6x	4.7x	17.6x	NM	NM	NM	4.7x	122.8x	26.6x
Rev growth LTM	52.2%	52.2%	37.3%	92.9%	160.4%	37.7%	4.9%	27.6%	9.6%
SaaS gross margin	85.1%	85.1%	NA	53.1%	77.5%	62.5%	NA	87.3%	71.0%
EBITDA margin	25.8%	25.8%	14.9%	NM	NM	NM	23.4%	11.3%	9.8%

### Comparable transactions EV/revenue multiples



### Australasian acquisitions made by Constellation Software between 2019 and 2023

Acquirer	Target	Industry	Date	Public/Private	Acquirer	Target	Industry	Date	Public/Private
N. Harris Computer	CIM	IT	May-23	Private	Volaris Group	Infoview Technologies	IT	Sep-20	Private
Datamine Australia	LandTrack Systems	IT	Dec-22	Private	Vela Software	KRISP Systems (asset)	IT	Aug-20	Private
N. Harris Computer	Ternity Group	Other	Dec-22	Private	Vela Software	Foresight	IT	Feb-20	Private
N. Harris Computer	MCATS	Healthcare	Jun-22	Private	Volaris Group	Musac Holdings	Other	Feb-20	Private
Jonas Software	Seekom	IT	Dec-21	Private	Petrosys	Globe Claritas	IT	Nov-19	Private
Volaris Group	AMS	IT	Nov-21	Private	Jonas Software	Impos Solutions	IT	Nov-19	Private
Volaris Group	Decideware	IT	Oct-21	Private	G. Jonas Computing	Pacsoft International	IT	Oct-19	Private
Vela Software	Figtree Systems	IT	Jun-21	Private	Jonas Software	Happen Business	IT	Feb-19	Private
N. Harris Computer	Meridian Health Info.	Healthcare	Oct-20	Private	Smartrak Holdings	Lingo Systems (asset)	IT	Feb-19	Private

**Disclaimer** The information provided in this report has been sourced and calculated from S&P Global Market Intelligence and company annual reports. Clare Capital holds no responsibility over the actual numbers. Clare Capital is not an Authorised Financial Adviser. If you are making investment decisions you should seek appropriate personalised financial advice.

Subscribe and see previous reports at [clarecapital.co.nz/tech-insights](https://clarecapital.co.nz/tech-insights)