

# Despite dire results, Telrad buys Marmanet for NIS 102m



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After poor fourth quarter results, Telrad's CEO Ran Bukshpan has quit.

Telrad Networks' share is down 10% in today's trading on the Tel Aviv Stock Exchange (TASE), after the company reported poor results for the fourth quarter of 2018 and the entire year. At the same time, Telrad announced that CEO Ran Bukshpan was leaving his position after 10 years, and would be appointed the company's chairperson. Bukshpan will be replaced as CEO by Moti Elmaliach, until recently CEO of Bezeq International.

Together with its results, Telrad announced that it was acquiring Marmanet, controlled by Amanet and private equity fund SKY Fund in equal shares, for NIS 97 million. Before completion of the deal, which is subject to various suspending conditions, Marmanet will distribute a NIS 5 million dividend.

Marmanet currently has 900 employees. Its main business is project management - adapting business process outsourcing. The company specializes in logistics, operations, training and instruction, installing systems, testing and database management, engineering information management, including document scanning and digitation, land planning infrastructure, and geographic information systems (GIS) services, including for public agencies, government ministries, and private concerns.



Marmanet finished 2018 with a 6% increase in revenue to NIS 142 million and a NIS 10.4 million net profit, the same as in 2017. The company has a NIS 400 million backlog of projects. Telrad will use a NIS 77 million loan from Marmanet and two banks pay for the acquisition, with the rest coming from its own resources.

Amanet provides consultation and management services in projects, logistics, computers, and software. The company today reported that when the deal is completed in the coming months it will gain NIS 45-47 million in cash flow and a NIS 32-34 million profit. Amanet's shares responded to the news with a 7% jump.

Telrad develops and sells products for broadband wireless communications networks and provides set-up and maintenance services for communications networks and operators. The company also designs and sets up communications systems and IT systems. Its activity is mainly overseas. It has 1,000 customers and 1,000 employees.

Buckshpan said, "Telrad intends to take advantage of the Marmanet's synergy with the group's activities to carry out complex projects and expand its communications and IT activity, while utilizing Marmanet's BPO and GIS capabilities and expertise."

Telrad's fourth-quarter revenue totaled \$31.5 million, 15% less than in the fourth quarter of 2017. The company's fourth-quarter operating loss was \$5.4 million, compared with a \$1.2 million operating profit in the corresponding quarter in 2017, and its fourth-quarter net loss was \$5 million, compared with a \$4 million net profit in the corresponding quarter in 2017.

Telrad's revenue fell 7.7% to \$130 million in 2018. Revenue from solutions and services for communications operators was down 14.6%, following loss of revenue in the US, "caused mainly by regulation" (a trend that persisted into the first quarter of 2019).

Telrad posted a \$1.7 million operating loss in 2018, compared with a \$9.5 million operating profit in 2017, and a \$3 million net loss, compared with a \$10 million net profit in 2017.

The share of Telrad, controlled by the Fortissimo Capital fund, has fallen 65% since it was first listed on the TASE in May 2017, just under two years ago, pushing its market cap down to NIS 109 million.

Telrad chairperson and Fortissimo managing partner Yuval Cohen said that during his tenure Bukshpan had turned Telrad "from a small private company with \$20 million in sales and large debts into a public company with a \$130 million turnover and sales in dozens of countries around the world. The acquisition of Marmanet, which we reported today, is our fifth in recent years. It will substantially increase annual sales and profits, and cement Telrad's status in the Israeli market."