FINANCIAL REVIEW

— Exclusive

Israeli marketing tech company Gefen lodges $127m IPO

Israeli insurance marketing tech business Gefen Technologies is headed for the ASX, raising $25 million at a market capitalisation of $127 million.

The business, which was founded in 2014 by former lawyer David Nash, IT systems architect Elad Daniel and former deputy squadron commander for the Israeli Air Force Orni Daniel, allows insurance behemoths like Australia's TAL to communicate with smaller, local insurance brokers that are selling their products in an automated way.

Gefen Technologies co-founder and co-CEO Orni Daniel says the business counts local insurance giant T
of its major customers.

This allows the giants to reach more customers, while the smaller brokers receive automated multi-channel campaigns that are assured to be compliant with local regulations, customer conversion statistics and other data analysis.

Speaking to *The Australian Financial Review,* Orni Daniel said the company wanted to list in the Asia Pacific region because, while it was an Israeli business, it was going after south-east Asia as its major target market.

He said the company settled on the ASX as the best exchange on which to float because of its increasing focus on technology.

“We were presented with the evolution of the ASX towards technologies companies with the launch of the All Tech Index,” he said.

“We talked to the ASX to understand the feat. For the growth phase we’re at, the way we tackle the market ... we wanted to see that it was the right fit for us.

“We believe that [Gefen] is the right fit for the region, and with the increased focus on technology companies [it’s the right decision] for us to be a public company.”

As well as TAL, Gefen counts major insurers such as Assicurazioni Generali Group, Dai Ichi Life and Manulife Insurance Group as customers.

It has also entered other agent-based industries such as financial services and real estate.

The company had planned to list last year, but delayed its plans due to the COVID-19 outbreak.

Despite this, it was able to lift its revenue from $4.5 million to $16.4 million. The company comes to market with a revenue to enterprise value multiple of just under six times.

Now, the business is due to list on June 17, with an issue price of $1. The IPO is being managed by RM Corporate Finance and Morgans.

“We intend to continue with the new injected capital to support our strong growth rate,” Mr Daniel said.

“I believe that in the last 10 years there’s been a shift toward digital. For some industries, the shift takes longer due to the complexity of legacy systems and regulations ... but the pandemic has accelerated the shift, changed the mindset on its importance and created a sense of urgency.”

Since 2016, the company has raised $US14.5 million in venture capital funding, plus a total of $6.5 million across two pre-IPO rounds conducted in Australia, which saw investors such as Regal Funds Management and Ellerston Capital buy in, as reported by Street Talk.

The company does not have an office in Australia, but intends to open a branch in the future.

The company is not yet profitable, posting a net loss of $20.5 million last year, but recorded positive earnings before interest, tax, depreciation and amortisation of $3.5 million, when normalised for the removal of a one-off non-cash IPO expense.

“For technology companies in high growth phase, usually you don't really care about profitability for this stage,” Mr Daniel said.

“However, because we had planned to list in 2020 and had to postpone it, [we] had to find a way to support the growth … but because we didn’t have the expected capital we kept an eye on the margins and closed the year with positive EBITDA.

“But moving forward we anticipate to increase the strong growth and believe we’re at the phase to put pedal to the metal and penetrate as much market share as possible.”

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