

# Aussie tech risks selling too cheap in M&A rush: Waislitz

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The rush of M&A activity in the local tech sector is putting the country at risk of “giving away” its innovations too cheaply, according to billionaire investor Alex Waislitz.

There has been a flourish of takeover offers in the past year for local tech stocks amid depressed valuations. Recent deals include US private equity fund Thoma Bravo’s \$1.1 billion bid for Nearmap; US realty software company MRI Software’s play for Aussie small cap PropTech Group this week; and Alludo’s offer of \$2 per share for local Adobe competitor Nitro.

All of these offers come from US firms, which Mr Waislitz told Automic Group’s TechOpps conference yesterday demonstrated how cheap some local tech companies looked from a global perspective.

“With the Australian dollar going down, Australian tech companies are great value to buyers overseas, particularly when the earnings are in US dollars primarily,” he said.

“They are buying in at a deflated Australian dollar market cap, using US dollars where they get good value; that’s now 10 per cent to 15 per cent better than the buying power they had before.

“We’re seeing almost daily rumours, or actual bids, coming through and I think that will continue. I just hope for Australia’s sake that we don’t give away our technology too cheap in this period of down draft we’re going through.”

Mr Waislitz tipped Australia had not seen the top of inflation. He said eventually, be it in six months or 30 months, the country would come out of the cycle.

“I just hope we don’t sell our tech companies, med-tech companies [before then], and in a capitalist world, that’s what happens,” he said. “From our point of view, we’ll defend or hold on either for the highest price we can get, or for the journey to play out further.”

Mr Waislitz, who was ranked 91st on this year’s Rich List with a net worth of \$1.5 billion, began his career in finance with Prudential Bache in the US, which introduced him to equity markets, commodities, bond markets and real estate, before co-opening corporate raider Robert Holmes a Court’s first office in New York.

He returned to Australia to set up Thorney (named after his intention to be a “thorn in the side of lazy management or boards”) after noticing the same directors were on numerous company boards and deciding that that set-up needed challenging.

Mr Waislitz’s Thorney Investment Group and Thorney Technologies collectively have a substantial shareholding in takeover target Nitro.

The group went substantial with a 5.09 per cent holding last week, before local private equity firm Potentia Capital increased its offer for Nitro from \$1.58 to \$1.80 and before Alludo swooped in with a bid of \$2 per share.

Before the takeover offers, Nitro was fetching \$1.13 per share in late August. Yesterday afternoon it was trading at \$2.11, down more than 40 per cent on its year-to-date high of almost \$4 achieved last November.

“We were a small shareholder [when Potentia made its bid], but we started to increase [our position] because if you look at the company and what the opportunity was, we thought it had fallen way too far,” Mr Waislitz said.

“It has a good management team, good product set, good exposure to now both Europe and the US for market share opportunities, and it is priced well compared to its competitors, and it had cash.

“Now it’s the second-largest position in Thorney Technologies.”

Mr Waislitz said Nitro at \$2 a share was still significantly undervalued.

“We look at it fundamentally and say ‘this company is really well positioned and unless the world collapses into a really depressed state, it could be well north of \$3 in two or three years’ time’,” he said.

“We think the board should fight harder to encourage other bidders, or encourage the current bidders to go into the due diligence room and really assess the opportunities, the customer base and the fundamentals around the business and say ‘wait a minute, this is still too cheap’.

“We’d prefer either to get a higher price, or for the company not to be sold and to go further on the journey.”