

# Route Mobile promoters announce full stake sale: What does it mean for shareholders?

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TL;DR.

Proximus Group will acquire a majority stake of 57.56% in Route Mobile from the founding shareholders of the company through its subsidiary, Proximus Opal. The cash consideration for this acquisition is set at ₹5,922 crore, with a price per share of ₹1,626.4.

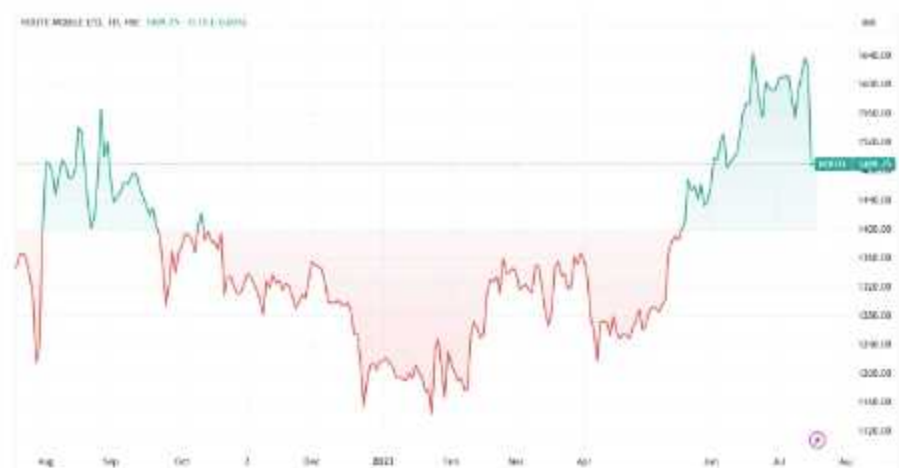


Route Mobile is one of the leading Cloud Communications Platform service providers, offering Communication Platform as a Service (CPaaS) solutions.

Route Mobile in an exchange filing on Monday informed that Proximus, a digital communications group supported by the Belgium government, has entered into a definitive agreement to acquire a controlling stake in the company.

[Route Mobile](#) is one of the leading Cloud Communications Platform service providers, offering Communication Platform as a Service (CPaaS) solutions. The company caters to enterprises, over-the-top (OTT) players, and mobile network operators (MNOs), and its portfolio comprises solutions in messaging, voice, email, SMS filtering, analytics, and monetization.

The company was incorporated in 2004 and was listed on the Indian stock exchanges on September 21, 2020, at a price of ₹708, an 86% premium to its IPO price of ₹350. Within a year of its listing, the stock zoomed 237% to hit an all-time high of ₹2,389 apiece. At current levels, the stock is trading at ₹1,489, 325% higher than its IPO price.



Stock price chart of Route Mobile

As per the agreement, Proximus Group will acquire the entire stake in Route Mobile from the founding shareholders (who together own a 57.56% stake) of the company through its subsidiary, Proximus Opal. The cash consideration for this acquisition is set at ₹5,922 crore, with a price per share of ₹1,626.4.

Subsequent to this transaction, a mandatory takeover offer (MTO) will be triggered that will require the acquirer to also purchase up to 26% of the stake at the same acquisition price of ₹1,626.4 per share from minority investors.

It's pertinent to note here that the Proximus management has categorically said that it has no intention to delist Route pursuant to the mandatory takeover offer, even if it ends up owning an 84% stake in the target company.

The acquisition of the majority stake in Route Mobile and the MTO will be followed by a reinvestment of EUR 300 million by Route's existing promoters for up to 14.5% of the shares of Proximus Opal.

Proximus has business interests in CPaaS and digital identity (DI) space through a wholly-owned entity, 'Telesign'.

## Route may benefit through revenue synergies

Global brokerage firm JM Financial believes that the deal between Proximus and Route Mobile could create significant revenue growth opportunities for Route Mobile through cross-selling efforts.

Proximus claims that the product offerings and geographic footprints of Route and Telesign are highly complementary, leading to estimated annual run-rate EBITDA synergies of at least EUR 90 million (to be realised within 3 years post-closing) for both companies, as mentioned by JM Financial.

Cost synergies are likely to contribute 75% to this, leading to a combined EBITDA margin of 13–15%. As Route already operates at over a 12% EBITDA margin while Telesign was just about break even in CY22, the brokerage expects a majority of the cost synergies to be derived by Route Mobile.

On the other hand, the brokerage also expects revenue synergies to be higher for Route due to its strong mobile operator partnerships across geographies. On its part, Route's management believes the partnership with Telesign will pave the way for Route to achieve a billion-dollar annual revenue run rate earlier than the expected 3–4 year timeframe.

## Combined entity to create third largest player in messaging volume terms

According to Proximus management, Route and Telesign combined on a pro-forma basis will have annual revenue of EUR 900 million. This, according to the brokerage, will propel the combined entity to become the world's third-largest player in messaging volume terms. This could be positive for Route, as it offers better negotiating power and also helps differentiate it from the competition.

## Continues with its bullish outlook

The brokerage continued with its 'buy' rating on the stock with a target price of ₹1,900 apiece, which reflects an upside of nearly 27.6% from the stock's previous closing price.

06 analysts polled by MintGenie on average have a '[strong buy](#)' call on the stock.

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