

The Investor



Innova Capital is a private equity firm focused on mid-market buyouts in Poland and Central Europe. Since its founding in 1994, the firm has raised seven funds and made 139 investments as of September 2023. Innova typically invests between EUR25 million and EUR40 million in companies operating in a variety of sectors, including business and financial services, technology, manufacturing, consumer, retail and health care.

FUND NAME

Innova/6

FUND SIZE

EUR271m

TOTAL AUM

USD1.5b

The Company



Founded in 2002, Inelo provides software and telematics solutions for the heavy fleet transportation industry. The company has partnered with over 10,000 transportation and logistics companies, the majority of which are small and medium enterprises operating less than 50 trucks. Inelo has over 600 employees and is active in 16 markets across Central and Eastern Europe.

LOCATION

Poland

SECTOR

Business Services

WEBSITE

www.inelo.pl

DATE(S) OF INVESTMENT

APRIL '18

AMOUNT

USD27M

STAKE

37%



Private equity firm Innova Capital began discussions with Poland-based fleet management solutions provider Inelo in 2017. An advisor had introduced the parties as Inelo's founders were interested in gradually phasing out their operating role in the business. Expanding regulations, including the upcoming Mobility Package—a set of rules governing the road transportation sector across the European Union—would increase operational complexities for transportation companies, who would need to rely even more on Inelo's products and services. The founders knew a new partner was needed to ensure the company reached the next stage of growth.

The Innova team was familiar with the industry, having previously invested in Polish transportation and logistics provider PEKAES. Innova understood that trucking companies would have to leverage technology such as Inelo's to respond to the impending surge in regulations. The company also fit Innova's preferred investment strategy of focusing on local companies with founder succession challenges and professionalizing them. In April 2018, Innova teamed up with one of its limited partners to collectively acquire 75% of the business, leaving the founders with the remaining 25%.

The Deal

Innova wanted Inelo to become a one-stop shop for independent trucking companies' technology needs. At the time of Innova's investment, Inelo's leading product was a work time management software with related outsourcing services that allowed businesses to manage country and EU-level regulations, such as the length of breaks a driver must take during a shift. This product can also assist trucking companies in calculating the minimum wage a driver must earn when entering and exiting various European Union countries. Inelo's second product, representing approximately one-third of the business, was a telematics solution that enabled businesses to track and communicate with their fleet.

When Innova came on board, these two business lines were poorly integrated and virtually operating as separate companies. Each product had its own sales team and customer base, with little intercommunication. Innova focused on fully integrating Inelo, rebuilding the sales and customer care departments and encouraging both to focus on cross-selling and offer bundling. The company also began to sell products online and via telephone, which accounted for 38% of new sales by 2022 versus none in 2018.

The Innova team believed that Inelo's pricing strategy could be adjusted to extract more value from different customer segments. Some of the company's customers—including its largest ones—hadn't seen an increase in monthly subscription prices for over ten years, which was limiting Inelo's profitability. Innova argued that the penalties associated with regulatory noncompliance—up to several thousand Euros for a single infraction—would convince customers to continue investing in Inelo's products. Inelo successfully optimized pricing without negatively impacting the customer base. In fact, the company's churn rate reduced by 50%.

Innova employed a heavy buy-and-build strategy, acquiring four businesses between 2019 and 2022. Two of these acquisitions—Polish transport management software manufacturers MarcosBIS and FireTMS—allowed Inelo to expand its product portfolio, while its takeover of telematics services provider CVS Mobile gave the company a presence in Slovenia and surrounding markets. Innova also oversaw investments in technology to improve products developed in-house. For instance, Inelo deployed an AI-based navigation solution that could factor in regulatory requirements, such as calculating the length of upcoming breaks a driver would have to take when estimating a truck's time of arrival.

To oversee all these initiatives, Innova recruited several new members of the management team, hiring a new CEO, CFO, CTO and Head of Customer Care, while the founders moved to a Supervisory Board. Inelo's full-time headcount grew from 431 in 2018 to 622 in 2022, with 66% of employees—including the CEO—being a female.

Under Innova's ownership, Inelo's revenues grew by EUR13 million at entry to EUR42 million at exit, while EBITDA rose from EUR5 million to EUR18 million. The percentage of revenues coming from outside Poland also rose from 7% to 30% over the same period.

Inclusive & Sustainable Growth

Inelo believes that it is substantially reducing its customers' carbon footprint by optimizing routes, properly matching loads with trucks



and reducing empty freights. In 2020, the company introduced *Eco Driving* enhancements to its telematics systems. Developed in partnership with Poland's Silesian University of Technology, the *Eco Driving* algorithm promotes and incentivizes drivers to adopt eco-friendly and efficient driving styles.

Beyond the environment, Innova views one of Inelo's biggest impacts as protecting SMEs in the region. Andrzej Pietrzak, Partner at Innova Capital, notes, "In Central and Eastern Europe, most transportation operators are small enterprises with less than 20 trucks and the owner is often driving one of the vehicles. This is in sharp contrast to Western Europe, where large corporations have eliminated nearly all these family businesses. Inelo's customers must be efficient to simply stay afloat. Inelo provides an affordable solution that allows these companies to remain profitable while also complying with regulations."

Of note, Inelo's products are also intended for regulatory authorities, in addition to commercial transport operators. As of September 2022, the company's software was used by 42 administrative units across the European Union, including the French Ministry of Transport and the German BAG to verify compliance. Inelo can highlight any potential mismanagement to ensure that drivers and not overworked and creating any unnecessary dangers on the road.

Outlook

In March 2023, Innova sold 100% of its stake in Inelo to Eurowag, a Prague-headquartered European payments and mobility platform focused on the commercial road transportation industry. Eurowag was listed on the London Stock Exchange in October 2021, announcing at the time that it was aiming to create a fully integrated digital platform for its customers. As the largest operator of digital solutions in the Central and Eastern European region, Inelo was Eurowag's primary acquisition target.

The Innova team launched a competitive process in 2022 to evaluate all potential exit options. Despite the challenging macroeconomic environment in the region given the war in Ukraine, several strategic investors and financial sponsors expressed interest. Nonetheless, the strategic fit with Eurowag was compelling to all parties, and the company paid a premium for Inelo. The deal, which was valued at more than EUR300 million, netted Innova an IRR of approximately 27% and a multiple on invested capital of 3x. ●