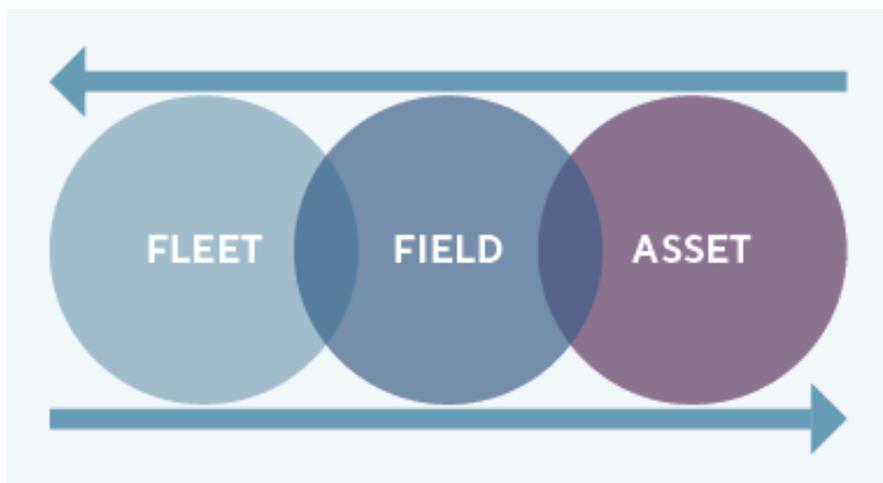


Fleet, Field and Asset Management Software: Convergence Creates Investment Opportunities

Maintaining equipment, vehicles and other assets while also optimizing performance of employees and the work they do is a daunting task for any organization. To address this challenge, both large organizations and small and medium businesses (SMBs) are looking to software solutions to manage resources in a cohesive way.

Investor interest in software related to efficient fleet, field service and asset management has been steadily growing for some time. Now, investors are increasingly interested in merging these offerings into a holistic platform. The convergence of these platforms allows data and information to flow seamlessly between assets or equipment in the field, field workers who use or service this equipment and the fleet vehicles they drive. This helps optimize field asset operations, identify asset issues or failures in advance and efficiently service or repair assets by sending the right technician with the right skills and tools in the right vehicle to service the asset on the very first truck roll.



INDIVIDUAL OFFERINGS DEFINED

Fleet management software helps coordinate and optimize work in multiple locations, improves driver safety, helps avoid costly mistakes and optimizes vehicle management, including inspections and routine service.

Field service management software helps manage work orders and optimize the field service personnel who are responsible for repair, maintenance and inspection work.

Asset management software allows employees to monitor and optimize physical assets, ranging in complexity from a pipe in the ground or a HVAC unit on a roof to an entire manufacturing facility or a large-scale solar or wind farm.

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SHIFT TOWARDS HOLISTIC OFFERINGS

The convergence of two or more of these offerings creates value by connecting data in a seamless way to efficiently manage vehicles, workers and/or equipment. The formation of this digital thread provides the greatest opportunity for investors because when merged, the solutions enhance one another—generating value and differentiation from other competitive offerings in the market.

This convergence can happen organically through innovation or through acquisition. A common combination to date has been fleet management and field service software, offering capabilities to better manage employees, the work they do and the vehicles they drive. For example, the 2020 acquisition of ServiceBridge, field service management, by GPS Insight, fleet management; or Azuga, a fleet management company that developed their own field service solution. Another common combination is field service and asset management software, offering capabilities to ensure employees efficiently and even proactively execute repairs and maintenance. For example, PowerFactors, an asset management company, built their own field service add-on module; or IFS, an asset management software provider, has aggressively acquired over five different field service management players over the last four years.

LINCOLN PERSPECTIVE

For private equity and strategic buyers interested in the space, now is the time to acquire target companies as consolidation is underway in each individual category. Additionally, a “super-consolidation” trend across categories is now starting as these software offerings converge to create new value for customers and solve challenges in a cohesive way.

As investors express increased interest across categories and consolidation occurs, valuations are being driven higher. Lincoln International identified the following considerations for buyers contemplating a purchase of a fleet management, field service management or asset management software company.

- 1 | Rapidly rising levels of penetration.**
There are varying levels of market penetration for each type of software, but one similarity is that they are ramping up in each category. For example, while there has been higher penetration in the fleet management software space that serves large fleets of semitrucks, penetration still remains low for technology solutions that serve small local fleets. As the offerings become more cost effective, more SMBs, including small local fleets, are purchasing solutions—leading to rapidly growing penetration.
- 2 | Strong targets focus on solving customer acquisition and retention.**
SMBs are traditionally harder to reach and more likely to switch providers, making customer acquisition cost and churn high. Successful players often focus on their sales and marketing approach, on finding ways to reduce customer acquisition cost or on reducing churn by innovating to offer new enhanced capabilities, thereby increasing average revenue per user (ARPU) and customer stickiness.
- 3 | The power of three.**
To date, the majority of consolidation has been between two of the software categories—fleet management and field service software or field service and asset management software. The next step will likely be a convergence of fleet, field and asset management software to create a single-consolidated software provider. The power of all three software categories will ensure an asset is optimized and when a service need is predicted, that the right technician who has the right parts and tools shows up at the right time to perform scheduled or necessary maintenance. Using the integrated software platform to do this in a predictive or proactive manner creates enormous savings by avoiding costly equipment downtime, the need for multiple truck-rolls or expensive equipment replacements.

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