

Tech-Enabled Businesses – What’s The Buzz All About?

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Technology is reshaping the way middle market companies do business. Investment professionals sourcing deals and evaluating opportunities are routinely in search of “tech-enabled” businesses, but what exactly does that mean?

It’s a term often thrown around, but perhaps not fully understood or consistently articulated. From our perspective, “tech-enabled companies” are adopting technologies such as machine-to-machine (M2M), big data analytics and the cloud to transform various aspects of their business model. The convergence of these three concepts is often referred to as “Internet of Things” (IoT).

Multiple factors have created a perfect storm of sorts, driving a paradigm shift in how companies do business. On the demand side, middle market companies are experiencing pressure to cut costs, increase revenue, innovate and be more agile. On the supply side, ubiquitous connectivity, increasing smartphone penetration, falling costs of both sensors and wireless modules, and the ever increasing cloud computational power at lower prices have made the business case for investing in technology viable.

Given these factors, middle market companies across industries are either adopting or planning to adopt these technologies.

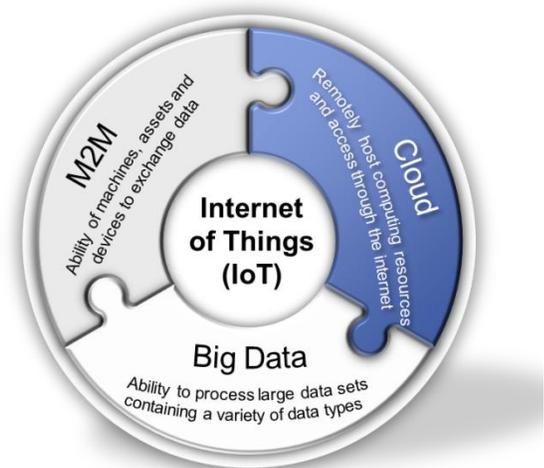
Machine-to-Machine (M2M)

M2M is one of the fastest growing technology sub-segments.

In essence, M2M is the ability of machines, assets and devices to exchange data with people or a company's management systems thereby improving visibility, efficiency, quality, and safety.

We recently encountered a regional, privately held, ready mix concrete producer who equipped each cement truck in their fleet with geo-sensors that not only connect to the plant operating center but also to each other. This technology has improved the company’s operational capabilities by enabling each of the geographically dispersed plant operators to efficiently monitor the fleet, accurately match customer needs with nearby supply, and improve overall customer satisfaction. Furthermore, historical data can be analyzed to provide valuable intelligence when planning additional capacity investments.

Tech-Enabled Companies



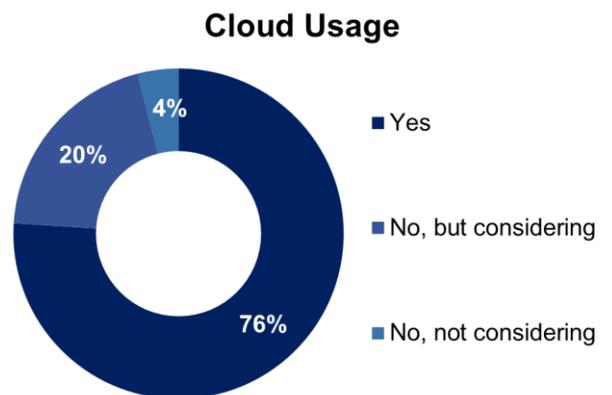
Big Data

Big data analytics allows companies to process large data sets containing a variety of data types to uncover hidden patterns, unknown correlations, market trends, customer preferences and other useful business information. A recent survey by Dell showed that middle market companies using big data have a three-year growth rate of 14%, versus 8% for those still not using it.

RGL Advisors recently represented an IT Consultancy that is successfully enabling Health Care Payers and Providers to extract value from their existing data by implementing data analytics and business intelligence tools. Regardless of the data structure or platform on which the data resides the company is able to transform client data into business intelligence which, in turn, produces actionable insights to improve operational and financial outcomes for each client.

Cloud Computing

Of all of the technologies within the IoT space, cloud computing is by far the most prevalent in middle market companies. 76% of mid-size companies in the US are using cloud solutions. Cloud computing allows companies to share computing resources such as servers, storage and applications by hosting them remotely and accessing them through the internet. This not only allows companies to lower their IT expense, but also enables them to focus on strategic initiatives. In addition, companies can scale their IT infrastructure to match business needs without locking in human or financial resources.



Source: Dell Global Technology Adoption Index, 2014

RGL Advisors recently engaged with a business-to-business industrial services firm which enlisted a third party vendor to provide a cloud based customer analytics platform. This platform was used to analyze a variety of historical sales data to derive actionable insights. Thus allowing the company to achieve margin improvements, reduce revenue leakage events and drive a range of marketing and sales initiatives.

Technology has the potential to fundamentally disrupt the way mid-market companies operate. Many forward looking companies across different industries are adopting these technologies to improve their customer relationships, manage risk, and accelerate growth. These tech-enabled businesses are leading the way in technology and in the process, have successfully differentiated themselves from the competition. Although tech-enabled middle market companies are currently experiencing increased enterprise values, it is expected that the premium associated with being “tech-enabled” will dissipate going forward as investors increasingly demand that businesses, regardless of their respective operational industry, be tech-enabled.

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