

An emerging digital disrupter in machine condition monitoring

Acquired company
Spectro Scientific
(Revenue: \$50m)

Acquirer
Ametek*

Technology
Instrumentation and analytics for machine condition monitoring (MCM)

End markets
Oil and gas, mining, food processing, defense

*Plural represented an unsuccessful bidder

Our client needed a clear understanding of a new market segment, potential strategic entry points and what to expect if it was to acquire a leading analytics player, Spectro Scientific. Plural's expertise in digital technology and unique approach to market mapping and commercial due diligence informed our client's investment strategy .

Client challenge

As part of its digital technology growth strategy, our client had the opportunity to acquire Spectro Scientific, a leading provider of onsite oil and fluid machine condition monitoring with a unique advantage of being able to produce highly reliable predictive analytics, in real time.

Our client engaged us to map the broader machine condition monitoring opportunity and assess the attractiveness of Spectro.

Challenges included:

- Assessing the potential for a new type of offering to disrupt well established alternatives
- Validating management forecasts: Plural had minimal access to the business and the underlying assumptions behind the forecast
- Providing strategic direction on whether Spectro Scientific was the most suitable entry point for our client

Plural's approach

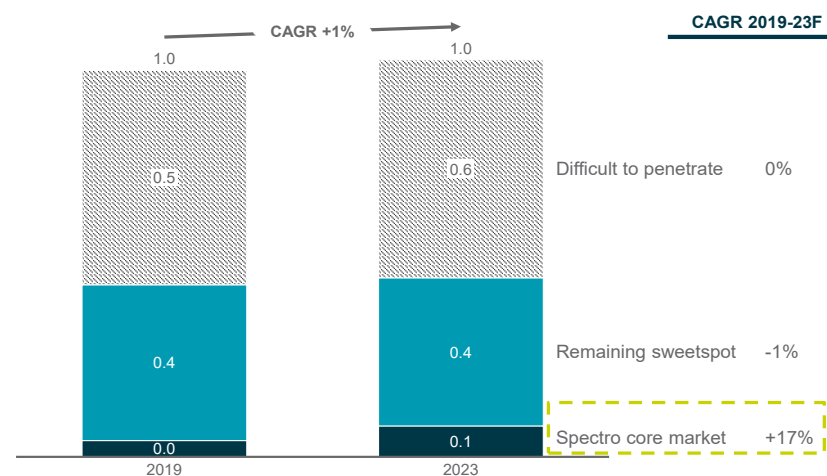
Through assimilating primary and secondary research, Plural was able to map the various forms of oil and fluid based machine condition monitoring and assess the relative attractiveness of each.

Plural also conducted both an in-depth, interview program and a higher volume survey with end users to understand evolving needs and the ability for onsite solutions to disrupt lab-based service providers.

From this, we modelled the likely adoption by end market which then allowed us to conduct a comprehensive assessment of Spectro's forecast plan.

The potential demand for comprehensive onsite OCM solutions is large, although not all the demand is easily accessible

Size of the onsite opportunity (FY2019-23F, \$bn)



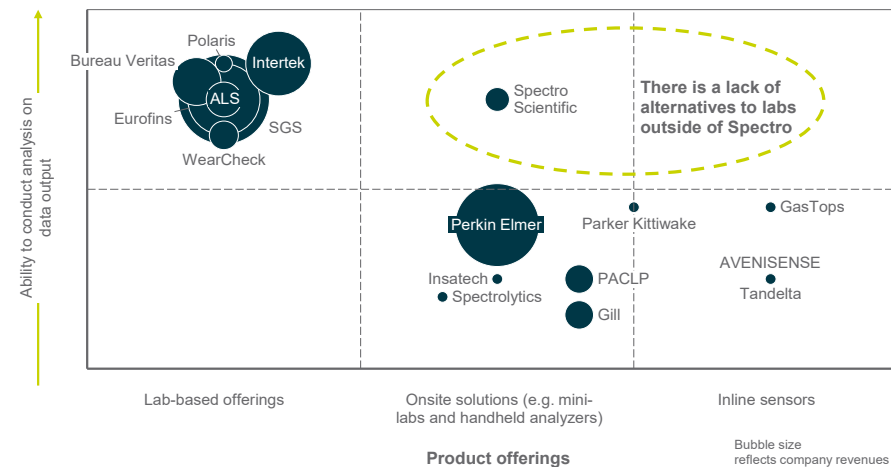
Source: Plural market sizing model

Key insights and our recommendation

- Oil condition monitoring will be the fastest growth segment of MCM as companies look to improve efficiency and reduce down time. Onsite will outperform as it can now provide a similar quality to lab-based testing but with a shorter turnaround time
- Spectro Scientific is best placed to take advantage of the immediate opportunity, although longer term investment is focused on in-line solutions:** Inline technology is so far unable to access and interpret the large data sets available to lab-based providers and therefore lacks the ability to produce 100% reliable analytics. Lab-based providers are unable to produce the analytics in real time
- Accessing the entire opportunity may take time due to high switching barriers. As a result, management forecasts appeared optimistic in the short term

Spectro Scientific is the only provider of onsite technology that can compete with lab-based providers' quality of results and level of data analysis

OCM competitive landscape



The outcome

Plural's work was used to inform our client's valuation of Spectro Scientific, but the company was eventually acquired by AMETEK, a company with an existing presence in the space allowing it to benefit from obvious synergies. Our client continues to use Plural's market map and assessment of attractive entry points to identify and pursue other potential opportunities.

About us

We provide our clients with clarity and confidence to make strategic growth decisions in specific industrial technology segments, particularly where mechanical technology, digital technology and analytics are converging.

UK

Jim Easton, Chief Executive
 jim.easton@pluralstrategy.com
 T: +44 20 3958 7250
 62-65 Chandos Place,
 London WC2N 4HG, UK

USA

Matthew Vellacott, Partner
 matthew.vellacott@pluralstrategy.com
 T: +1 917 472 1466
 2 Park Avenue, 20th Floor,
 New York, NY 10016, USA

