

Connecting the Core: IFS World Conference 2018

CIMdata Commentary

Key takeaways:

- A global stalwart in mid-market enterprise resource planning, IFS is taking on today's market challenges, relying on the cloud, and delivering on IoT and AI.
- EQT, their private equity owners since 2015, have continued to invest in the company, its products and ecosystems, and M&A, extending their years of strong financial performance.
- IFS' investments, particularly on the cloud, seem perfectly timed to hit the cloud adoption wave evolving enterprise software.
- With these investments, and the work in IFS Labs and R&D, the company is well positioned for the years ahead.

CIMdata recently attended the IFS World Conference 2018, held in Atlanta, Georgia on 1-3 May 2018. IFS' largest event ever totaled about 1,400 people, including 75 partner firms, IFS staff, and customers and prospects. Founded in 1983, IFS is known for IFS Applications, their component-based enterprise offering shown in Figure 1. Version 10 was launched in 2018. IFS also has other strong offerings, including field service management and maintenance, repair and overhaul (MRO). Today IFS has over 3,700 employees worldwide supporting over 10,000 customers and over one million users in over 60 countries. IFS is included in CIMdata's global product lifecycle management (PLM) market results because enterprise asset management (EAM), field service management, and MRO are all applications included in CIMdata's PLM market definition. IFS Applications also supports a few product development use cases with their IFS Engineering stack shown in Figure 1.

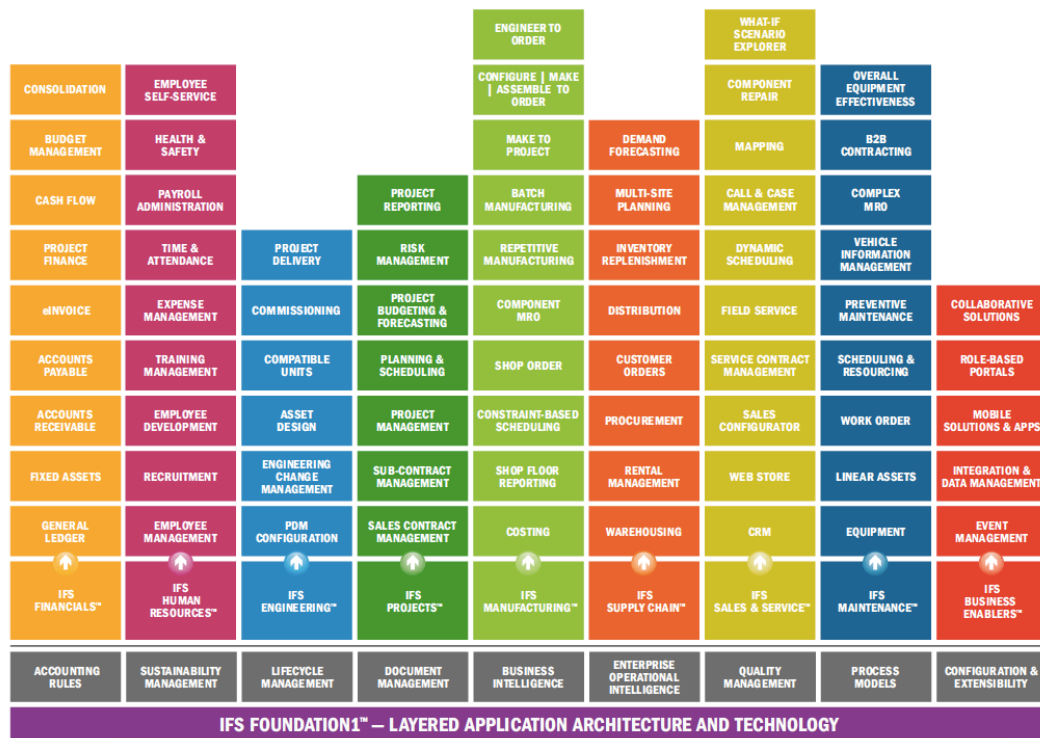


Figure 1—IFS Applications

IFS had been successful as an independent public firm and was taken private by the Swedish private equity company EQT in late 2015.¹ After the acquisition the new owners claimed they would:

- Support long-term product investments into the customer offering and the organization to further strengthen the market position in selected customer verticals.
- Support IFS in developing its global partner ecosystem so that it can continue to improve its ability to offer cost-effective global solutions.
- Provide financial and strategic resources to accelerate its M&A strategy².

Scanning the IFS newsroom on IFSWorld.com since the acquisition shows that IFS has indeed continued to add channel and technology partners. The company has also been active in M&A in that period, adding: Mxi Technologies, a provider of intelligent maintenance management software for the global aviation industry,³ augmenting their existing A&D solutions; mplsystems Ltd. for omni-channel contact center and engagement software;⁴ Field Service Management, Ltd. (FSM partner in the UK and Ireland); and WorkWave LLC, a provider of cloud-based SaaS Field Service, last mile delivery, and logistics solutions that was their largest acquisition to date.⁵ Based on public reporting the firm continues to provide their run of success under EQT.

Unlike many private equity firms, EQT left the IFS management team largely intact after the acquisition. 2018 brought the retirement of Mr. Alastair Sorbie, IFS' President and CEO, at the end of the first quarter of 2018. In early March, IFS announced that it has hired Mr. Darren Roos as the Chief Executive Officer of IFS effective April 1, 2018. Prior to joining IFS, Mr. Roos was President of SAP's Cloud ERP business. Before SAP he led Software AG's international operations to significant growth helping, the company triple in size during his tenure.

Mr. Roos led off the initial plenary session, but he was upstaged a bit by the innovative choreography and videography used to emphasize IFS' messaging on the main screen. Nine dancers, each holding their own flat screen TV, wove back and forth and, when positioned together, reflected and extended the images in synchrony with the main screen. Early in his remarks, Mr. Roos admitted that he was only one month into his new role, too soon to expound on some topics. He did make one pronouncement: IFS' branded artificial intelligence (AI) product would be named Nobel, but that was only said in jest. Mr. Roos agrees that AI, machine learning and other techniques are important going forward but IFS will not have a branded AI offering (a la IBM's Watson, Wipro's Holmes, Infor's Coleman, etc.). According to Mr. Roos, IFS plans to leverage "world-class open source AI capabilities" in their applications. Embedding the intelligence in the applications is consistent with actions from Oracle, SAP, and Infor in the enterprise software market.

This is only one part of giving customers what Mr. Roos believes they really want: faster time to value. They want mitigated risk because they cannot afford to fail. Mr. Roos plans to keep IFS focused on engaging customers around value. You can't value what you cannot readily use, so IFS is developing a next generation user interface designed to be more intuitive and easier to use. IFS does have a branded solution here, IFS Aurena, a name that is a mashup of "aura" and "arena." It supports the leading Web browsers—Chrome, Safari, and Edge—and

¹ <https://www.eqtpartners.com/Investments/Current-Portfolio/ifs/>

² <https://www.enterprisetimes.co.uk/2015/12/01/ifs-copies-infor-with-pe-buy-out/>

³ <http://www.ifsworld.com/au/news-and-events/newsroom/2016/12/13/ifs-acquires-mxi-technologies-ltd/>

⁴ <http://www.ifsworld.com/au/news-and-events/newsroom/2017/08/01/ifs-extends-leadership-in-service-management-with-two-acquisitions-mplsystems-limited-and-field-service-management-limited/>

⁵ IFS Annual Report 2017.

HTML5, AngularJS, TypeScript, and other standards. In IFS Applications 10 they are replacing their Web client with IFS Aurena and also use it for their next iteration of mobile applications. CIMdata agrees that improving the usability and utility of enterprise applications is a must. It is not clear why firms need to brand that experience, like IFS with Aurena, SAP with Fiori, and others. At least in SAP's case Fiori was a saleable item, so it made some sense. Perhaps marketing believes that signifying a break with the past is necessary to move forward.

In the following session, Mr. Dan Matthews, IFS' CTO, used the image in **Error! Reference source not found.** to suggest how the extended enterprise needs to connect to the Digital Core, IFS' core applications (IFS Applications, IFS Field Service Management, and IFS Maintenix). Of course, IFS Aurena accessed by browser or mobile is one mode of interaction and connection. Another way is to connect using AI. Mr. Matthews said that IFS is focused on putting AI in their core products in three key areas: (1) human-machine interaction (chatbots, language processing, image processing); (2) predictive maintenance and service; and (3) automation—automating human decisions, but also automating things they automate today using configurations and simple business rules. The conference sessions highlighted human-machine interaction by IFS Aurena Chatbots using text or voice⁶.

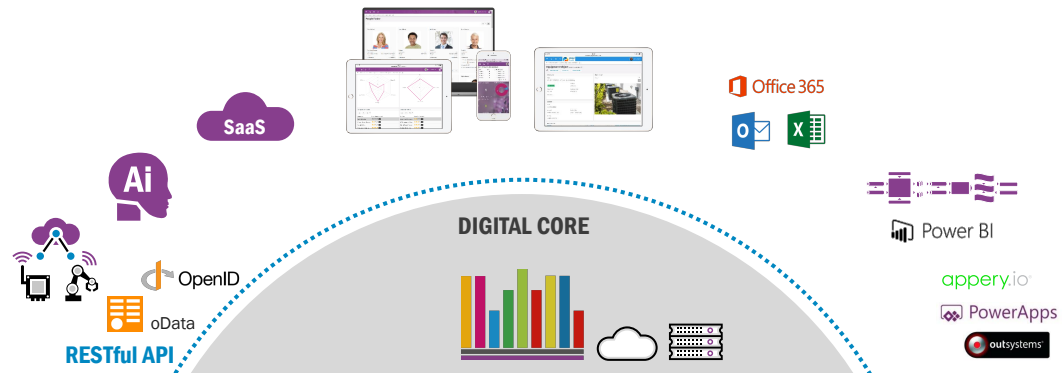


Figure 2—Connecting to the Digital Core

IFS' strong partnership with Microsoft (of over 20 years) is clearly evident in Figure 2. Of course, linking with Office 365 and all of the intellectual assets produced in those tools makes perfect sense for an enterprise solution provider like IFS. Power BI, a Microsoft analytics offering is a perfect add-on for the ubiquitous Microsoft Excel. Microsoft is also core to IFS' cloud strategy. IFS Managed Cloud, a full-service, managed single-tenant offering is delivered on Microsoft Azure. IFS manages the cloud infrastructure, operating system, database, middleware, and IFS products. According to IFS, their IFS Applications are optimized for seamless operation on Microsoft Azure.

IFS also relies on Microsoft to help them deliver their Internet of Things (IoT) solution, as shown in Figure 3. The blue boxes are provided by Microsoft and the purple as part of IFS' offerings. The data flows from "things" to an IoT Hub on Microsoft Azure, where it can leverage other Microsoft analytics solutions like Power BI and machine learning. IFS leverages this data using the IFS Business Connector, an IFS solution that has three components: (1) the IFS IoT Discovery Manager, where users can create and connect the IoT suite components and visualize components and data flows involved; (2) the IFS IoT Gateway to support communication with IFS on-premise and cloud offerings; and (3) the IFS IoT Controller, which

⁶ Using Cortana from Microsoft. The demonstration was interesting, but showed it needed much more work.

helps determine what actions to take based on data and analytics provided to the IFS applications.

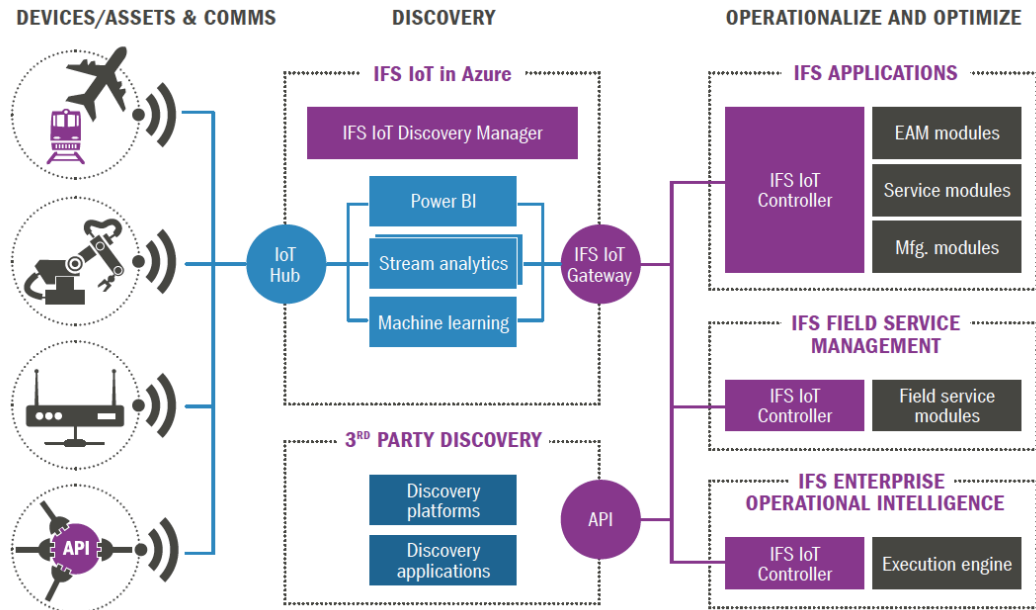


Figure 3—IFS IoT Strategy Leverages Microsoft Offerings

Mr. Matthews also described IFS’ software development approach. IFS will use the same code everywhere. IFS Applications will continue to be delivered on-premise, but the on-premise solution will maintain parity with its other delivery modes: hosted, IFS Managed Cloud, or IFS SaaS, a new SaaS solution that is a cloud-native and cloud only multi-tenant solution that is loosely coupled to the core with open APIs. IFS Field Service Management will be delivered cloud-first. WorkWave, their recent acquisition is cloud-only, as are what IFS terms their “Value Add” solutions: IFS Customer Engagement, IFS IoT Discovery Manager, IFS Maintenix Fleet Planner, and Maintenix Line Planner, with more to come.

According to Mr. Matthews, IFS Managed Cloud was their first offering in the cloud, where the customer owned the software and IFS was running it for them. Managed Cloud was more of a grey box. The customers knew what they were running, and they could pay extra for more horsepower if they needed it. They also had more freedom to delay updates. Last year they introduced SaaS, a black box where the customers do not know or control how it is delivered. Today, SaaS is so new, they have few SaaS customers, with most cloud customers running on Managed Cloud. Looking at new customers sold to in the last 12 months (in the US, Europe and Scandia), about 1/3 were cloud. Four new SaaS offerings are in development. Clearly the way forward is on the cloud.

Another stated goal of EQT, the private equity owners of IFS, is to make IFS a leader in field service management. In a session entitled “What About Service?” Mr. Mark Brewer, IFS Global Industry Director, claimed that service is at the top of the EQT “investment stack” as evidenced in their recent M&A activity. As a result, Mr. Brewer noted that service revenue as a percentage of total revenue has increased substantially over the last 18 months. This is an area where they have had good success targeting SAP accounts where they can bring a much-needed high quality supplemental application.

IFS Labs managed to highlight yet another hot industry topic, the digital twin. This makes perfect sense given their focus on IoT, and asset and field service management. Mr. Bas De

Vos, the Director of IFS Labs, showed he knew the NASA roots of the digital twin but is clearly looking to the future, beyond just twins of the asset, but how their data can be linked to totally different data sources, like connecting maintenance with ordering, with health applications, then compliance. The connections between IFS core applications could be endless.

In conclusion, IFS was a solid company made stronger by the private equity investment. Their loyal customers are willing to move ahead with them on their application journey, and now to the cloud. Based on their recent results, how is all this working for the company? In their last fiscal year, calendar year 2017, IFS reported license revenues up over 21% year-on-year, a good sign. We saw how cloud uptake seems to be on the rise. What about getting people to move to IFS Applications 10 so they can best leverage all of these investments? In one session, IFS stated that 35% of customers were on IFS Applications 9, claimed to be a relatively easy step from 10. That also bodes well for IFS, as does their work in their Labs and R&D. Their lead customers played a visible role in helping to define their new offerings and in demonstrating their early returns at the IFS World Conference 2018. How well they can connect their new sources of value with their core offerings will help determine how rapid that time to value can be for their current and new customers. Based on what transpired at the 2018 IFS event, IFS' future looks bright with a strong chance of "cloud." CIMdata looks forward to the next chapter at the 2019 conference.

About CIMdata

CIMdata, an independent worldwide firm, provides strategic management consulting to maximize an enterprise's ability to design and deliver innovative products and services through the application of Product Lifecycle Management (PLM). CIMdata provides world-class knowledge, expertise, and best-practice methods on PLM. CIMdata also offers research, subscription services, publications, and education through international conferences. To learn more about CIMdata's services, visit our website at <http://www.CIMdata.com> or contact CIMdata at: 3909 Research Park Drive, Ann Arbor, MI 48108, USA. Tel: +1 734.668.9922. Fax: +1 734.668.1957; or at Oogststraat 20, 6004 CV Weert, The Netherlands. Tel: +31 (0) 495.533.666.