AAR's aim in acquiring Trax is to grow its digital tools and unlock new sources of revenue. Image: Trax

Better together

The past year has seen the aftermarket industry welcome some key acquisitions. *LARA* looks at what's next for those companies who opted to join forces.

In its September 2023 aerospace and defence industry update, consultants KPMG predicted that revenue outlook for mergers and acquisitions (M&A) would still be strong going into 2024 given the high demand from customers in the aerospace market, particularly as people return to travel.

M&A can enable businesses to strengthen their own market position or to diversify – accessing a technology, customer base or product that they didn't have before, which helps them to remain competitive.

Even when supply chain issues and labour and material shortages are putting pressure on the maintenance market, M&A activity hasn't slowed.

One of the main themes driving this activity has been digitisation, as companies look to expand their digital MRO capabilities.

The last couple of years have ushered in some noteworthy aftermarket software acquisition activity, with Lufthansa Technik's (LHT's) integration of Swiss-AS's digital software AMOS, housing it under one roof with AVIATAR and flydocs, AAR's acquisition of Trax, and Veryon's acquisition of Rusada.

With digital transformation a driving theme in the aftermarket sector, what does that mean for the software solution companies who have made these key acquisitions, and what else might we expect from them in 2024?

GAME CHANGER

"Nothing is changing the MRO industry and is driving the development of new solutions more than digitalisation," says Frank Martens, LHT's Senior Director Sales AVIATAR and Digital Products at Lufthansa Technik AG.

"In this decade, it stands out as the only game changer."

At the end of 2022, LHT took ownership of Swiss AviationSoftware Ltd (Swiss-AS), combining it with AVIATAR and flydocs to form its Digital Tech Ops Ecosystem.

The three companies remain independent, which allows for an "neutral, open and modular" system, according to Martens.

"For the first time there will be comprehensive data coverage along the entire value stream in technical operations," he says.

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> "Synergy is the concept that the value and performance of the two companies combined will be greater than the sum of the separate individual parts."
>
> **Andrew Schmidt, Senior Vice President, AAR Digital Services and Trax**

Swiss-AS' CEO Fabiano Faccoli tells *LARA* that prior to the acquisition the company had a "very strong market position and reputation".

Since then, the acquisition has seen the company go from strength to strength, expanding its reach to existing and new customers.

Faccoli says: "By becoming part of LHT's Digital Tech Ops Ecosystem, we are now able to offer customers a variety of tools for their digitalisation ambitions through a one-stop-shop approach.

"It allows us to reach stakeholders we could not in the past. In addition, the existing customer base of AVIATAR and flydocs provides us with the opportunity to gauge if AMOS could help their customers."

According to Martens, the ecosystem will help operators to reduce MRO costs, enhance process efficiency, increase aircraft availability and operational stability.

But when it comes to digital transformation, there is a variety in the type of demand seen from operators.

"The digital transformation of each airline or MRO is an individual strategy," says Martens.

As such, how this integration and formation of the Digital Tech Ops Ecosystem works to help operators and MROs will differ. The customer can start where their current need is and expand outwards.

"There is not a one-size-fits-all approach," says Martens. "While some customers are only starting their digital transformation, others are already on the journey. As a result, customer requirements are very different."

Faccoli emphasises the importance of choice. He contrasts the benefits of Swiss-AS for its customers as part of the DigitalTech Ops Ecosystem with its use as a stand-alone software.

"It will certainly help customers digitise processes faster," he says.

"[We want to] give customers the choice which tools to use, and are not a closed system. We want to make it extremely simple and fast to e.g. connect flydocs or AVIATAR products with AMOS.

"We have generally expanded our capabilities into areas we did not cover before and are able to offer customers better solutions in the future through this increase of capabilities."

DIGITAL TOOLS

March 2023 saw aviation services provider AAR acquire Trax, a provider of aircraft MRO and fleet management software.

For AAR's Senior Vice President of Digital Services and Trax Executive Vice President, Andrew Schmidt, the benefits behind the acquisition can be summarised in one word: synergy.

"Synergy is the concept that the value and performance of the two companies combined will be greater than the sum of the separate individual parts. And this concept has held true for the acquisition of Trax by AAR.

"AAR is a global leader in aviation services and Trax has become another service that it markets. Part of AAR's aim in acquiring Trax is to grow its digital tools. Such growth serves to benefit Trax customers as well."

Under the AAR umbrella, Trax's acquisition unlocks a lot of market opportunities, with major benefits for the former's wider digital strategy.

This strategy has two main goals, says Schmidt – increasing internal efficiencies for new and existing customers, such as transitioning to a paperless operation, and developing new digital sources of revenue.

The first goal, the push towards paperless systems, is indicative of a wider aftermarket sector demand. Trax's product perfectly aligns as its product line already features paperless maintenance apps as part of its Trax eMobility suite.

For Schmidt, AAR is the vehicle upon which Trax's success in this area can be driven even further to tackle wider market issues.

He confirms that Trax's eMRO and eMobility products are already rolling out in AAR's Integrated Solutions business and are

being considered as a replacement for some business repair units. But these products have the potential to go further.

"The implementation of these apps [in the eMobility suite] by its [Trax's] customer base has mushroomed in the past few years," says Schmidt.

"The potential exists to make the eMobility suite independent of the enterprise eMRO product and sell it separately – to target the largest airlines that would now be more open to purchasing a critical mission software that is owned by a large, publicly traded company.

"We are determined to leverage Trax's position in the mobile software market and expand it."

BRIDGING THE GAP

This focus on tapping into a new market is a sentiment that rings true for another software provider.

In October 2023, Veryon acquired aviation maintenance management software solution provider Rusada.

Fast forward to now and Veryon is already seeing the benefits, amidst growing demand from operators in the industry.

Veryon's CEO, Norman Happ, expands on the rationale behind this acquisition.

"One area we wanted to build strength in the portfolio was in the MRO space and among mixed-fleet operators," he says.

"Many operators around the world support complex fleets of both fixed-wing aircraft and helicopters. The next step was for us to acquire Rusada. At time of going to press, the Rusada ENVISION product has now been renamed Veryon Tracking+.

"Rusada's product fits nicely into our product portfolio – bridging the gap between our maintenance tracking and diagnostics offerings.

"Rusada has brought a robust customer base of regional and mixed fleet operators, spanning both fixed-wing and helicopters, so our coverage is materially expanded."

The acquisition of Rusada and its ENVISION solution (now Veryon Tracking+)

The current push towards paperless systems has come in response to aftermarket sector demand. Image: Trax

has also improved the scope of Veryon's offering for low-fare and regional carriers.

The company currently works with several low-fare operators in Europe and the US and is keen to pursue this "important growth vector" even further.

"With this solution we can offer these carriers more capabilities that will be more tightly integrated for a better experience and a single-party relationship," says Happ.

He adds that the acquisition has proved to be a "tight partnership" – one that is core to Veryon's long-term strategy of market expansion, revenue growth and innovation.

Just as it's business as usual for its customers, for Rusada and Veryon the acquisition formed a strategic, seamless move, with three major areas already seeing huge improvement – engineering, customer onboarding and customer support.

Much like AAR and Trax, Veryon is also benefitting hugely from Rusada's global footprint and customer base, with the two forming one complementary partnership borne out of a shared passion to meet the challenges of its current and future customers.

CHALLENGES AND OPPORTUNITIES

However, digitisation in the MRO sector is not without its challenges.

The MRO market is a land of ever evolving opportunity – one that requires a measured, strategic approach.

So what lies ahead for these companies, post-acquisition? AAR-Trax's Schmidt outlines the companies' core task as follows. 》》

Trax's eMRO and eMobility products are being rolled out in AAR's Integrated Solutions business. Image: Trax

"Our major challenge is to carry out a scaled and strategic response to the extensive opportunities we face – to present our advanced technological solutions and to keep up with the rapidly evolving trends."

AAR-Trax's roadmap already includes future investments into avenues like research on digital services and artificial intelligence applications.

Whilst Trax's software product has "currently incorporated many AI features and technologically advanced enhancements", Schmidt acknowledges that there is still work to be done, even if the team is more than ready to meet the challenge.

For Swiss-AS's Faccoli, it is not just a question of the breadth of choice but the depth of issues to be tackled.

"The problems the industry will have to solve will grow in complexity and more and more specialised solutions will come to the market at a high pace," he says.

One core focus for the Swiss-AS team is simplifying the way third party products communicate and exchange data with AMOS.

"We want to ensure that customers can harness such fast-movers quickly through a simple integration into AMOS," says Faccoli.

Investment in and expansion of AI-applications is also on the radar for many. As many operators struggle with lack of trained maintenance personnel, AI is being seen as a solution to bridge this gap.

Veryon's Happ says: "We're excited about expanding the ways we use artificial intelligence (AI) across our products. Through advanced technology, we have been able to think differently about how we augment the knowledge and capabilities of aircraft maintenance personnel.

"Given their varying tenure and knowledge levels, we are becoming increasingly capable of guiding them to the right solutions to help return aircraft to service more effectively."

Faccoli agrees. He explains a little more about his vision for Swiss-AS's automation capabilities in the future, telling *LARA*: "AI and ML [machine learning] play a key role

The road ahead: Trax's software includes a number of artificial intelligence (AI) features. Image: Trax

and we are working on several initiatives that will bring the power of such new technologies to the end users' fingertips. Its [AMOS's] work with AVIATAR in this regard, as part of the wider Ecosystem, will help speed up this process."

GROWTH MINDSET

Challenges aside, continued growth is crucial for all concerned going into 2024, with these acquisitions functioning as an important tool to unlock this.

As more and more data is generated by new aircraft and customer demand rises, it is imperative for companies like Veryon, LHT, Swiss-AS, AAR and Trax to help operators keep pace and bolster their MRO operations.

Schmidt says AAR and Trax are "keenly interested" in expanding their digital offerings to their aviation customer base, with multiple opportunities to cross-sell various products to their joint customer base.

Martens hints at what LHT may be focusing on next when he says: "Lufthansa Technik has invested millions of euros into

innovation and new digital solutions for Digital Tech Ops, which is the basis for our leading position today.

"We are working on a new path as a seamless digital ecosystem. This will further improve the usability for our customers."

Swiss-AS's Faccoli notes that the company's focus is myriad, as it works to continually invest in and improve its solutions for line maintenance, base maintenance, warehouse management and those in the cockpit and cabin, alongside its component maintenance capabilities for which there is a growing demand.

For Veryon's Happ, there are also huge positives ahead – ones borne from this acquisition.

"We're starting to see some really exciting things with these new opportunities that might not have been on our radar before," he says.

"This acquisition has really broadened our global perspective on growth. I think there'll be many exciting things coming from 2024 from an acquisition perspective." ∎