

## TECHNOLOGY: SEES TRACKING POTENTIAL IN EVERY NEW VEHICLE Spireon's New Owner To 'Accelerate Growth'

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Vehicle-location services provider Spireon Inc. found itself being tracked in the past year.

Greenbriar Equity Group LP, a Rye, N.Y.-based private equity firm, expressed interest last year in acquiring Spireon, and purchased the Irvine-based company in October for an undisclosed price.

Greenbriar typically invests \$75 million to \$150 million per deal, according to its website.

"They've got deep expertise in the transportation world," Spireon Chief Executive Kevin Weiss said of Greenbriar. "These guys are ideal."

Greenbriar, which focuses on privately negotiated investments in the global transportation industry, has invested more than \$3.5 billion in 29 companies.

The firm was co-founded in 1999 by Reginald L. Jones III, who was head of global transportation investment banking at Goldman Sachs, and Gerald Greenwald, former chief executive of UAL Corp. and vice chairman of Chrysler Corp.

Among its automotive investments are: Morgan Auto Group, a Florida-based car dealership with 23 locations representing 18 brands; and GB Auto Service Inc., an after-market repair shop with about 50 retail locations in the Southwest.

Spireon will "accelerate growth and fuel continued innovation in vehicle intelligence systems," Greenbriar Managing Director Michael Weiss said in a statement.

## Vehicle Tracking

Spireon, launched in 2003, installs technology on vehicles to wirelessly provide owners with useful information such as location and battery health. Its 4 million subscribers include consumers, auto loan lenders, new and used car dealers, rental car agencies and fleet operators.

Bertram Capital Management LLC, a San Mateo-based private equity firm with \$1.4 billion in capital targeting lower middle-market companies, bought Spireon in 2011. Kevin Weiss, who's no relation to Michael Weiss, was an operating partner at Bertram when he took the top job at Spireon in 2016.

Kevin has been in the technology industry for many years, previously serving as president of internet security firm McAfee LLC and as a senior vice president at software maker Ariba Inc.

When he arrived, Weiss said he had to get Spireon into better shape by cutting 50 jobs and eliminating clunky legacy platforms.

"We had gotten a little fat, and we got through it. The company was ready for a change," he said. "Now we've started to invest."

Spireon is boosting its data-crunching applications. It's gone from analyzing about 250 million data elements per month since Weiss joined to more than a billion—and counting.

"That kind of data really gives you the ability to create some very, very interesting ways in which you can manage your assets more effectively," Weiss said.

Spireon ranked No. 98 on the Business Journal's list of private companies, with an estimated \$133.5 million in 2017 sales. Weiss declined to give updated annual sales, except to say it's below \$200 million.

## Franchise Business Booms

Spireon's initial business model focused on the independent used-car dealer segment. The business, which uses GPS technology that helps dealers find vehicles if customers fail to repay loans, has been its biggest source of revenue over the years. However, it's gradually declining as revenue from other segments increases, Weiss said.

The trailer segment reported a 36% revenue increase in the first half of this year as it exceeded 200,000 subscribers. Customers include truck rental company Ryder System Inc. and trailer rental firm Contract Leasing Corp.

Spireon developed the FleetLocate system to provide fleet managers real-time data on when drivers deviate from routes, get speeding tickets, waste gas through excessive idling or disappoint customers by arriving late. It provides "geofencing" that alerts managers when drivers leave designated areas.

Last year, it launched FleetLocate Connected by Onstar for GM vehicle owners. In June, Spireon announced a deal to supply FleetLocate to Ford Commercial Solutions for Ford vehicle owners.

In July, it announced a new Cargo Sensor to provide improved accuracy for cargo loads.

A third booming unit revolves around a software platform called Kahu for either consumers or dealerships.

Consumers can use the Kahu software for “peace of mind and insurance discount eligibility.” On average, consumers used the Kahu app 11 times a month in the first half of the year to find their vehicles and set speeding and geofencing alerts.

Kahu’s newest software helps dealers more easily transfer vehicles among stores and find vehicles in an “average recovery time of 26 minutes.”

About 73 franchise dealer customers signed in the first half of the year, fueling a 65% increase in Kahu device shipments and a 38% revenue bump over a year earlier, the company said.

Customers such as Sonic Automotive Inc., which operates more than 100 dealerships, use Spireon’s software to manage assets on multiple lots; compare sales teams; and push older inventory to the front.

Its franchise dealership business is on pace to double this year and next, according to Weiss.

“We think that business in the next couple of years can be a \$100 million business unto itself,” he said. “You should assume over the next five years every single vehicle that is sold will be in some way connected and have some form of telematics.”

### **More OC Jobs**

The heart of Spireon’s business is based in Irvine, home to about 200 employees, including product managers, engineers and software designers. The company employs about 450 nationwide.

Under the October agreement, Greenbriar acquired the entire company, and existing senior management also made a cash infusion in the business, according to Weiss.

The sale comes as Spireon implements a variety of new systems, including ordering, customer support, warehousing and fulfillment.

“That’s going to create more jobs in Orange County and create new opportunities for third-party companies that develop solutions,” Weiss said.

The Spireon sale marks the second significant local transaction in the past two years in OC’s telematics industry.

In June 2016, Aliso Viejo-based Telogis Inc. was acquired for about \$900 million by Verizon Communications Inc. It’s now part of a unit called Verizon Connect, which manages vehicle fleets.

<https://www.ocbj.com/news/2018/dec/10/spireons-new-owner-accelerate-growth/?page=2>