

The Right Deal at The Right Time – Part 1



Carsten Ahrens, CEO G+D Mobile Security

“The Pod Group acquisition enables G+D not only to provide the security, but also to take away the barriers to adoption of IoT. One of the things I am most excited about is the group’s Enterprise Network Operator (ENO) concept”.

Interview by Abraham Joseph, Editorial Director, IoT Insights

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How did the deal come about?

We are always on the lookout for opportunities to develop our business. We see a massive market for IoT, for which we have several key ingredients. Combined with Pod Group, we see an opportunity to expand our scope and take away many of the barriers to wider IoT adoption that many perceive still exist.

For us it was a strategic move. Although the acquisition was relatively small, it is an important part of our future strategy.

How big was the deal? I didn't see any metrics related to it – apart from staff numbers.

We are not disclosing the financial details of the transaction. However, we are happy to talk about the team and the capabilities we are bringing on board.

The team consist of about 50 people, the majority of whom are located in Spain. They are on a great development trajectory and we saw a great opportunity to leverage this based on the reach that we have and the contributions we can make.

What does the deal enable you to do now that you weren't able to do before?

Let me take a moment to explain where we came from and the rationale for the acquisition. There are four core components in our portfolio. The traditional subscriber identification module (SIM) that we are familiar with, the embedded SIM (eSIM), the embedded OS (eOS) which we license as software to OEMs and the SIM/eSIM life cycle management solutions (OTA, SM-SR, SMDP+) including our Identity Service Platform for on-line generation of eSIM profiles (IDSP).

The pluggable SIM is still the majority of our business. However, over the last 10 years we were successful in expanding it into embedded devices primarily for the automotive sector, but also some consumer device manufacturers with software licensing business for our eOS.

We are very proud to have been one of the inventors of the eSIM, along with the carriers and manufacturers like Samsung and Apple. When we began licensing our embedded OS, many of our partners told us that in addition to this solution, it would be extremely useful if we could provide connectivity to the devices and entities – i.e., include operator SIM profiles. We worked with another company to address this requirement initially, but knew that having this capability in-house would enable us to address a broader range of features and security and hence add even greater value.

Our identity service platform (IDSP) is a major investment into our data generation capabilities. We need to do this because we are shipping hundreds of millions of SIMs every year that are today manufactured in batches. So data generation for the cards is also operated in batches. To unleash the full potential of eSIM and IoT, we need to do data generation on the fly, with partners sending us input data and G+D generating profiles and sending them back to devices in near real time.

Security is at the heart of everything G+D is doing. People work with us because they trust our technology. Like many other major IoT industry stakeholders, we believe the eSIM, and the integrated SIM (iSIM), will be important security anchors for IoT. This is why we are enhancing their features and capabilities to boost security and safety of IoT.

The Pod Group acquisition enables G+D not only to provide the security, but also to take away the barriers to adoption of IoT. Currently, a chipmaker, device maker or software developer trying to build a global solution faces major challenges. The same is true for enterprises that wish to deploy IoT solutions across national boundaries. G+D can contribute by helping to make IoT solutions safe, scalable and seamless to deploy. This is the compelling logic of the Pod Group acquisition.

Do you think concerns about IoT security are overblown?

No I don't. The Internet of Things is the biggest machine that mankind has ever built and we need to make it safe. IoT devices are sending data across networks, and increasingly, these data sets are being received by algorithms rather than people and become training sequences for machine learning. In many emerging scenarios, if data is compromised, we might do the training badly and not find out until it is too late – until there is a catastrophic failure.

At what stage is the deal currently? Has everything been agreed?

The deal is closed and everything is agreed. We are actively working with Pod Group's CEO, Sam Colley, and the great team he built on the post-merger integration process. Also, we have some technology integration processes to enable the new team to make full use of the wider G+D technology base to address new customers and markets.

We're very excited about the new team, their culture and spirit and are bringing the portfolios together to provide a unique offer to the market.

Has Sam got a new role?

Sam has the same responsibility as before. We like the way he's set up the company and the way it operates. So the team will continue as before – led by Sam. Both old and new teams will continue to learn from each other and the new team will have more support to continue down the successful path they have had so far. They will have more tailwind, and the combined group will have a wider portfolio of offerings.

One of the things I am most excited about is the group's Enterprise Network Operator (ENO) concept. When you speak to Sam, he will explain this in detail. For now, I'll just summarise and say that it delivers comprehensive new capabilities for enterprises to deploy and manage IoT networks easily across campuses as well as across national boundaries.

In the context of campus networks, 5G will not be an evolution like 4G was. It has the potential to be a revolution. I think the amount of traffic that 5G networks will absorb from other connectivity technology such as LoRa Wan, Sigfox or WLAN is probably much bigger than we anticipate today. In Germany, for example, 140 campus network licences have been awarded. In a recent call with NTT DoCoMo, they confirmed that 40 such licenses have been issued in Japan. Similar campus network initiatives are under way in many other countries. Most of these networks will need eSIMs. This is why I think the combination of the two portfolios will be very attractive.

How does the acquisition alter G+D's market position?

We are the leading player, with more than 230 operators connected to our eSIM platforms. We have shipped hundreds of millions of embedded operating system licenses for eSIMs. This move we are making will remove many of the roadblocks we discussed. So at the end of the day, it will be good for G+D and for the entire industry as well .

Does the deal create any conflict of interest, for example, with your carrier customers?

We don't believe that our carrier customers will see the acquisition as competitive although Pod Group has its own core network. Rather, as demonstrated by the types of solutions Pod Group has been offering, the acquisition enables us to bring traffic to our carrier partners and that's the way they also see it.

One of the challenges in addressing the massive IoT opportunity we talked about earlier is the huge variety of devices and applications on the market. Many carriers have challenges serving

this long tail of applications. Many also have difficulties with the very low average revenue per user/connection, associated with many IoT applications. So rather than being competitive, we see the acquisition as supportive – helping our partners unleash opportunities in the long tail.

What are the major priorities for you right now?

One key issue that is top of mind at present is the chip shortage. It is a major crisis for many in the ecosystem. So far, we have been successful in managing the situation and meeting demand for shipments. This is a great accomplishment. We are putting a great deal of effort into qualifying new vendors to continue to be able to support the demand of our customers.

My second major focus area – which I am very excited about – is carriers' interest in using eSIM as the primary activation mechanism for phones. We are getting geared up to support this at scale. We are running data centres that offer this as a managed service with 99.99% availability and carriers are approaching us with requests for significant capacity increases – in some cases double or triple their existing capacity.

And finally, but not least, as we discussed in the beginning, leveraging the Pod Group acquisition to go after new opportunities together with an expanded team and portfolio.

How do you prioritise the expanded range of opportunities you see in addition to the acquisition?

We have a strong business in automotive and we plan to continue to develop this. For us it's very important to continue to innovate in that segment. An example of our recent innovation is the concept of dual-SIM dual-active. It is now gaining traction with automakers. It enables the consumer or another party to bring a separate data plan into the vehicle for entertainment and other uses. This combination of a car-centric eSIM and a consumer-centric eSIM is very interesting for many players because it provides greater flexibility to present a variety of propositions to vehicle manufacturers, owners and users. Additionally, we are developing a range of vertical solutions – not necessarily targeted at specific vertical industries. The first is track and trace. This IoT application is not new, but enhanced with the security we can provide, it becomes very attractive to many new stakeholders.

What role do you see IoT playing in helping with sustainability and the other ESG challenges we see around the world?

This is a topic that keeps me very engaged. I'm absolutely convinced that if we get it right, IoT can be a massive contributor to sustainability. It presents us with powerful new tools to sense, monitor, analyse and control the world around us as well as our interactions with (and impact on) it.

Independent of its role in IoT, the eSIM will be a major contributor to sustainability. Building phones and other devices with eSIMs instead of traditional SIM slots will result in tremendous savings in material, time and cost (and in turn the adverse sustainability impacts) associated with the production, logistics, packaging and distribution of traditional SIMs. Billions of SIMs are manufactured and distributed each year. With eSIM all this can be done in a fully digital format. Hence I say, the eSIM is the most sustainable SIM.