

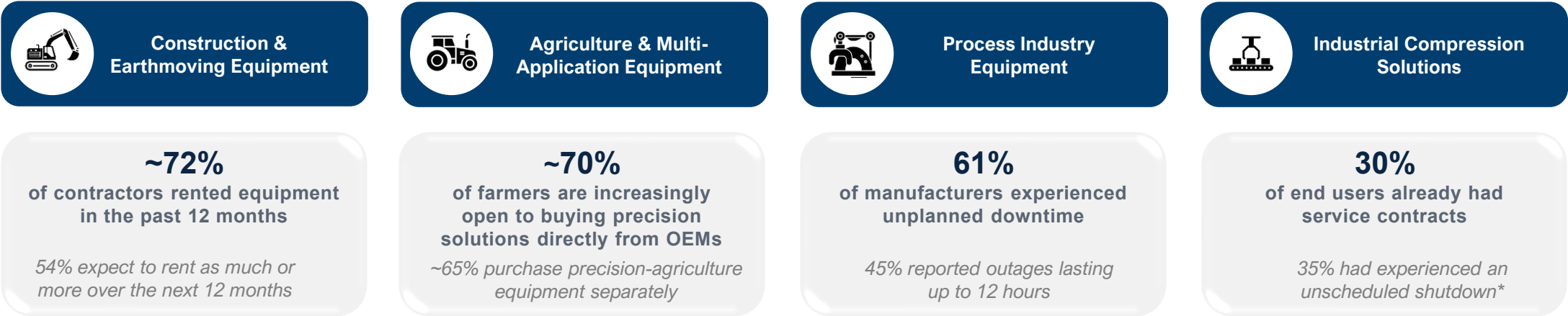
Industry Trend Report

Beyond the Machine: How Heavy Equipment OEMs Are Building Aftermarket & Service Revenue

What is changing in how customers value heavy equipment?

Rising cost, labor, service and downtime pressures are reshaping equipment-buying decisions across end-markets

End-market Demand Drivers



Customer pain point	▪ High equipment costs + variable project demand make owning every machine uneconomical	▪ Labor constraints + pressure to improve productivity are increasing the need for automation	▪ Unplanned equipment failure can disrupt production, delivery schedules and profitability	▪ Equipment/ system failures can disrupt production and compressed-air reliability
Evolving Needs	▪ Flexible access over ownership & lower TCO burden	▪ Automation & intelligent equipment	▪ Predictive intervention before failure	▪ Greater uptime and performance assurance

Customer value is shifting from equipment ownership to optimizing outcomes like uptime, productivity and flexibility

Sources: McKinsey Report, Fluke, Equipmentwatch, US Department of Energy, John Deere, Aranca Analysis

*Note: Historical survey; included as evidence of established service-contract adoption

How are OEMs responding to changing customer expectations?

Industrial equipment OEMs are adapting to changing customer expectations by focusing more on servitization of their equipment and adding new revenue streams other than traditional sales

Commercial Evolution: From Service to Outcomes



IoT-Based Remote Monitoring

▼ 20–30%
unplanned downtime

*From fixed-schedule
upkeep to guaranteed
uptime*



Outcome-Based Contracts

▼ 25–40%
maint. cost/unit

*From customer-borne
risk to performance-
linked commitments*



Fleet Management Solutions

▲ 10–20%
productivity

*From owning more to
optimizing what you
have*



Equipment-as-a-Service

CAPEX →
variable OPEX

*From big-ticket
purchases to pay-for-
utilization*



Autonomous Systems

▼ 65–75%
safety incidents

*From safety-standard
kit to zero-accident
sites*

The win-win:

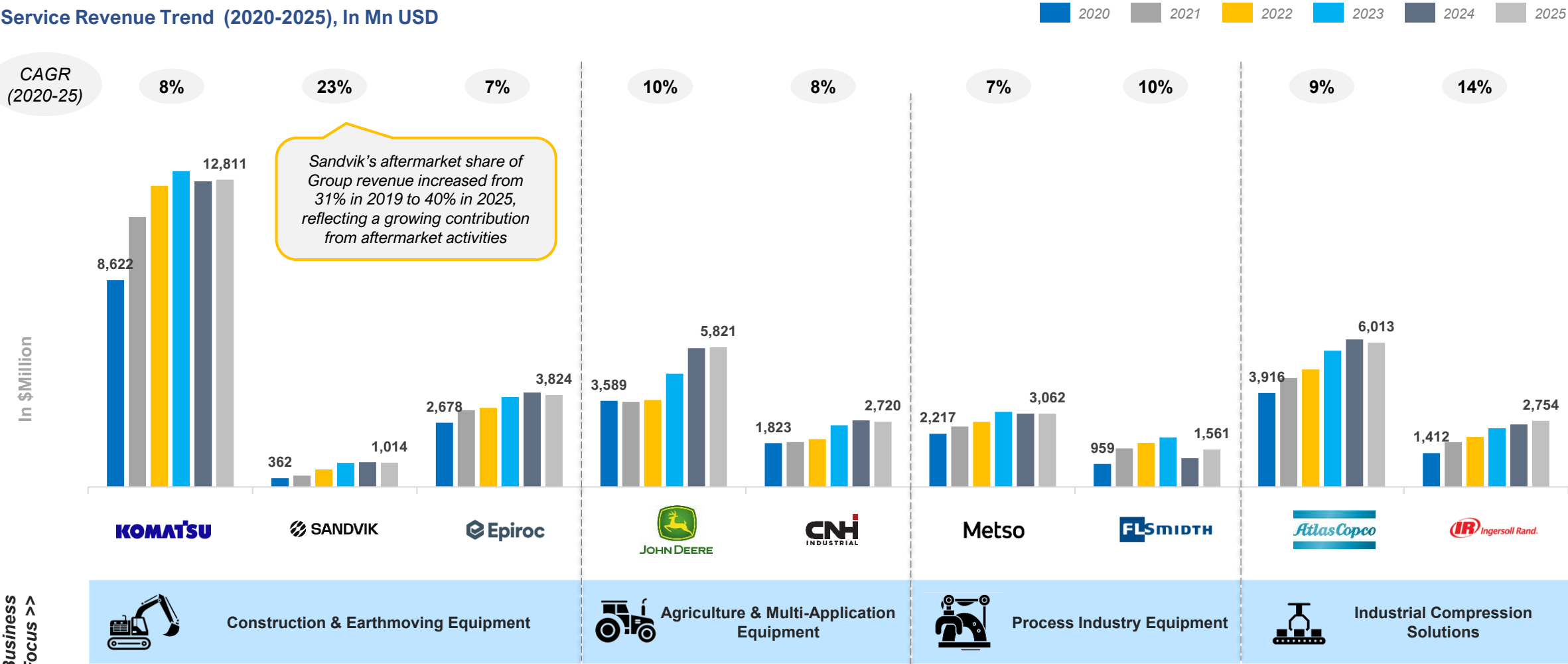
Customer: Leaner, lower-risk operations

OEMs: New, higher-margin recurring revenue

Is service becoming a meaningful growth lever for OEMs?

Service revenue is gaining momentum across leading OEMs, reinforcing the shift toward recurring income streams

Service Revenue Trend (2020-2025), In Mn USD



Sources: Company Annual Reports, Aranca Analysis

Note: Service revenue reflects company-reported figures or proxies where not separately disclosed; definitions may vary across OEMs

Note: FLSmidth's 2025 revenue reflects its mining business only following the divestment of its cement business; therefore, 2020 mining revenue is used for a like-for-like comparison

Does service growth translate into better economics?

Service revenues are growing faster than equipment-related revenues for most OEMs, with an increasing service mix potentially contributing to improved profitability

Revenue Growth: Service vs Other Businesses (2020 vs 2025)					Service Revenue CAGR	Other Revenue CAGR
Companies	Service Revenue vs Other Revenue (CAGR 2020-2025)		Share of Revenue (2025)	Company Gross Margin (2025)	Margin Expansion (in PP, 2025 vs 2020)	
 Epiroc		7% 10%	66%	37%	-1	↓
Metso		7% 5%	54%	32%	+9	↑
 KOMATSU		8% 1%	51%	15%	+7	↑
 SANDVIK		23% -6%	40%	41%	+3	↑
 Atlas Copco		9% 7%	38%	43%	+2	↑
 Ingersoll Rand.		14% 14%	36%	44%	+3	↑
 CNH INDUSTRIAL		8% -9%	15%	3%	+5	↑
 JOHN DEERE		10% 5%	13%	14%	+3	↑

Sources: Company Annual Reports, Aranca Analysis

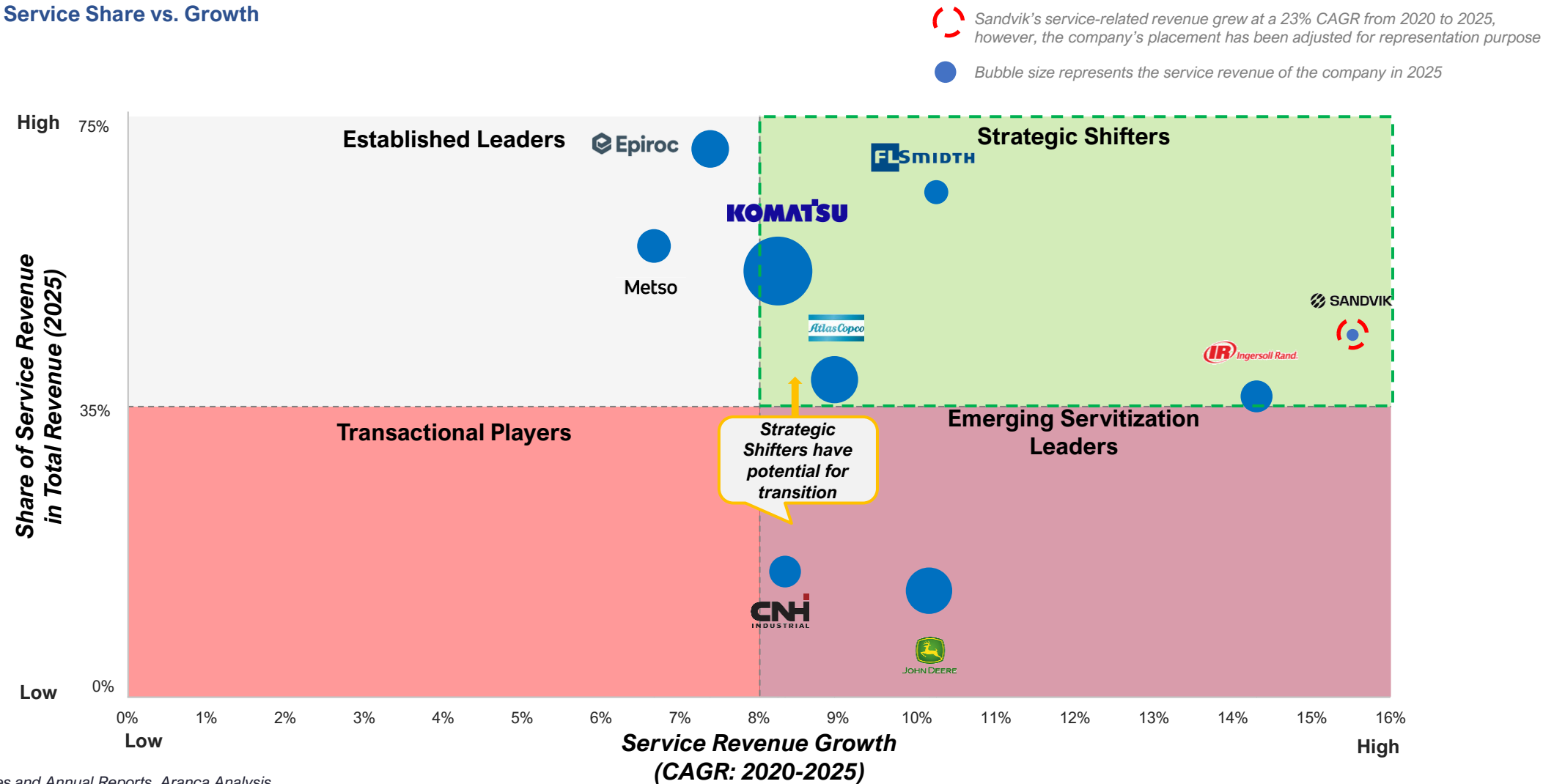
Note: FLSmidth excluded from the peer margin comparison due to significant portfolio restructuring and the 2025 Cement divestment, which limits like-for-like comparability of margins across the period

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Where do OEMs stand in the servitization journey?

OEMs with a higher share of service revenues and sustained growth momentum are strengthening their position as leaders in the shift towards recurring revenue models

Positioning Matrix: Service Share vs. Growth

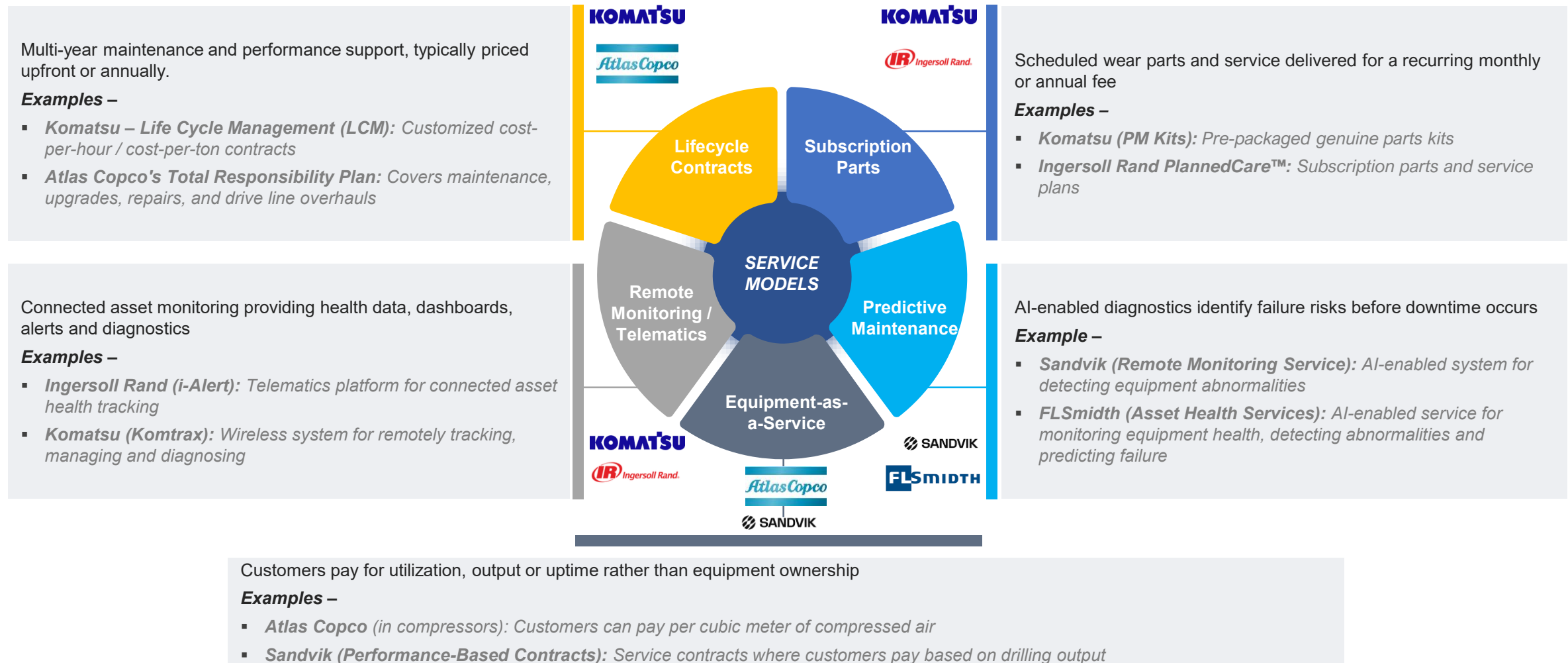


Sources: Company Websites and Annual Reports, Aranca Analysis

How are leading OEMs monetizing their installed base?

Leading OEMs are expanding beyond traditional maintenance into lifecycle contracts, subscriptions, predictive maintenance, remote monitoring and equipment-as-a-service

Industry Examples of how the OEM earns revenue



Sources: Company Websites, Aranca Analysis

What should OEM leadership teams be asking next?

Service growth is proven. The next contest is over who captures its value

Key questions OEM leadership teams will need to answer as service moves to the center of the business model

WHERE THE VALUE SITS

01

How much of our installed fleet’s service spend do we actually capture?

02

As fleets electrify and automate, which profit pools shrink, and what replaces them?

03

Will the next wave of service value come from parts, software subscriptions or managing customers’ fleets?

HOW IT IS EARNED

04

Which of our services build margin, and which only add revenue?

05

Are we pricing parts and service to the value we deliver, or still to cost-plus price lists?

06

How do we turn one-off repair sales into multi-year contracts that customers renew?

WHO CAPTURES IT

07

Should we acquire dealers, rebuilders or independent servicers to own more of the service value chain?

08

Where are will-fit parts and independent servicers taking our share, and how do we win it back?

09

Should we service competitors’ machines to grow beyond our own installed base?

The OEMs that answer these first will set the terms of the aftermarket for the next decade

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