

2020-10-08 Why I Invested Qnect Webinar

Ashley Matthyse: [00:00:03] All right. Hi there, Ashley Matthyse with TEN Capital. I am joined today by the team of Qnect, Christian Erickson and Jef Sharp, along with their investor and adviser, Neil Passero. Gentlemen, thank you so much for joining me today.

Jef Sharp: [00:00:20] Well, thanks, Ashley, really appreciate it. Christian and I are very happy to be with you here today to speak with Neil Passero, one of our strong investors and someone who I respect a lot for his business knowledge and advice. He's always available to me and it's really appreciated. I also just want to say thank you to TEN Capital, the whole team, for your support of Qnect and also the entrepreneur community. You guys are really great.

Ashley Matthyse: [00:00:51] Well, thank you. That's very kind.

Jef Sharp: [00:00:54] Would it be helpful for me to start with an overview?

Ashley Matthyse: [00:00:56] Yeah, that would be great. Please do.

Jef Sharp: [00:00:59] Ok. So, Qnect is at a very exciting point in its growth curve right now. [00:01:04] Our sales are accelerating, our technology is award-winning second to none, we really don't have any competition doing the optimization part of what we do, and [00:01:19] the future just looks really, really bright for us. We just won one of the largest, or actually the largest commercial project in the country right now in New York City, a 70-story tower, very exciting to close out a really good year, and for anyone new to Qnect, we have a software product that delivers superfast, high-quality engineering and optimization for steel beam connections in the steel construction industry. So any time a steel beam connects to another steel beam or a column, a lot of engineering has to be done for that to be right. We use cloud computing to run millions of engineering calculations and to analyze the data and provide the most efficient possible connection. That includes the plates, the welds, the bolts, the length of the bolt, the width of the bolt, the kind of bolt, just all kinds of data and all the limit states of the engineering, et cetera, have to be considered. Millions of calculations, sometimes per connection - if you can believe that - to come up with the most efficient connection. [00:02:41] We save months

of time on a project, we save tens of thousands of dollars. Some projects like this one in New York, it'll be over \$1 million of savings, [00:02:52]and it should be no surprise that with all this benefit that we're capturing the attention of some of the biggest names and players in the industry, like Whiting-Turner, like WSP, like Tishman - if you're familiar with the construction industry at all - Suffolk, Walter P. Moore is headquartered in Texas. Our sales have more than tripled this year, the sky's the limit for growth. We're super jazzed right at the moment about where things are going. So, with that overview, I'll turn it back to you Ashley, and we can get started with Neil.

Ashley Matthyse: [00:03:34] Fantastic. Sounds like good news all around. Happy to hear it. Neil, thank you so much for joining us today. Could you start by telling us a little bit about your background as an investor?

Neil Passero: [00:03:46] Sure. Thanks Ashley. I've been in Silicon Valley for the last 30 years, I've been an entrepreneur myself, as well as been investing in the SaaS and business-services space.

Ashley Matthyse: [00:04:00] Fantastic. And what do you normally invest in?

Neil Passero: [00:04:03] I've been involved and invested in data companies, I've been involved in software-as-a-services companies, and invested in business-services companies, meaning companies that provide some sort of value add to other businesses directly.

Ashley Matthyse: [00:04:20] Ok. And what made you decide to invest in this particular deal?

Neil Passero: [00:04:26] Well, [00:04:26] this was a really exciting opportunity to be involved at the ground level with a company that was taking technology and entering into an entirely new market, the [00:04:37] construction and engineering business, where technology hasn't had a tremendous impact. As you're probably aware, the construction industry is not located in Silicon Valley, but as Jef and the team have proven so readily over the last couple of years, there's a really great opportunity to bring technology into a more traditional industry that hasn't had the huge impact that others have. If you look at transportation, if you look at the medical industry, [00:05:08] if you

look at a wide variety of other large sectors, you can see that technology is, if not dominating, it is creeping into every sector that there is. [00:05:20] As Marc Andreessen at Andreessen Horowitz has said, "Software is eating the world", and Qnect is eating construction.

Ashley Matthysse: [00:05:27] Fantastic. What do you like about this team?

Neil Passero: [00:05:32] Well, I was introduced to Jef through another partner, and I sold a business to Autodesk some years ago and it's in the 3D_____ space - which is an area inside of the cloud computing zone, I've had a lot of experience personally and investing-wise - and Jef came to my attention through this partner and Jef was introduced to me as somebody who had a tremendous amount of experience building businesses over 30 years and working with technology to innovate. And so, after meeting Jef and hearing the opportunity, I got involved.

Ashley Matthysse: [00:06:10] Fantastic. Why do you think this company will continue to be successful?

Neil Passero: [00:06:16] Well, starting any business from scratch is a very, very, very large task. You might have seen Peter Thiel's Zero to One [00:06:25] book - this is a zero to one company, starting entirely new with technology, at a great time, with the cloud services that are available to us that make building a company a lot more achievable, scalable, and efficient [00:06:42] as well as entering into an entirely new industry, those are huge challenges. The fact that the team has done both is truly a testament to their capabilities.

Ashley Matthysse: [00:06:59] And what challenges have you seen the team face and overcome?

Neil Passero: [00:07:05] Many, gosh. Any business has challenges. Headwinds always, you know, are prevalent in the startup experience, but the team has executed really flawlessly in the realm of technology. Number one, building the software and making the vast amount of intelligence required to scan a building basically and figure out where all the inefficiencies are and put it back together and output, that technology hurdle was enormous. And the intellectual property behind that, securing that

intellectual property, putting it all together, getting it into the software and actually making it work, well, that's just the table stakes for this business. Then it was bringing it out to market and introducing it to people who generally don't even use computers in their work and showing them the business benefits of this technology. And then finally, having the wherewithal to recognize that providing service and really focusing on the needs of the customer and bringing more services around the technology. Those three factors, the technology, bringing it to market, and then adapting to the needs of the customer base is really apparent, and that's what any company needs to do, and commonly, folks don't figure it out quickly. This team has really figured it out very quickly.

Ashley Matthyse: [00:08:39] Ok. And what excites you most about this opportunity?

Neil Passero: [00:08:43] Boy, you know, it's really fun to go to cities. You know, in 2018, '19 and early '20s as I traveled the world and I saw cranes and buildings going up, it is really, really amazing to look out there and go, "You know what? We are having a huge impact on how these buildings are being built" and that just by itself, seeing the impact in the world, almost like with X-ray vision, because this is not like, you know, a sexy, very public-facing kind of technology. But, you know, our bridges, and our waterways, and our buildings are critical, critical infrastructure and it's really cool to be out in the world and know that we're having an impact.

Ashley Matthyse: [00:09:31] I'm sure it is. And how are you helping the team?

Neil Passero: [00:09:36] So, I've been involved with Jef for now over four years. It's been really exciting to be a part of working with him and seeing him gather an amazing and talented group of experts around him. Folks like Christian on the marketing and sales side, and others who have been attracted from some of the most expert positions in the industry, from some of the biggest companies in this industry. It has been, let's

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Jef Sharp: [00:10:16] Don't forget to mention how you helped with Nucor.

Neil Passero: [00:10:20] Oh, gosh, you know, thanks, Jef. I think I got shy there for a minute. So, we've had a really tremendous adventure together over these years. I love

building things from scratch and it's really fun to work with an entrepreneur like Jef who's open, and interested, and willing to lay it all out on the table, ask for help as a leader, which I think is truly a testament to who Jef is. [00:10:54] A lot of people talk about VUCA - volatility, uncertainty, complexity, and ambiguity. Well, [00:11:02] you know, [00:11:03] great leaders are doing jujitsu on VUCA and they're taking that volatility and they're being vulnerable and they're asking for help. [00:11:11] And, I love when Jef calls me, it's really fun. We always have something to talk about almost every other week, and in one case, we had the opportunity to pitch Nucor to raise funding for the business. And it was really, really fun and exciting to work with the team around the message that we were going to deliver. One of the areas that I spent a lot of time is in sales and marketing messaging, and we had a great collaboration just figuring out, you know, what could we say to the largest steel company in the world to get their attention about what we're doing? And the executive team and I had a wonderful conversation about that. We went in there and within two weeks we had a very large check from Nucor and I'm really proud of that work that I did with the team. And along the way we've also consulted around the sales model, around pricing models, around go-to-market strategy, and now with Christian in place, we do a lot less of the day-to-day marketing because Christian has this well in hand and is doing a fantastic job with all of the webinars and the outreach that we're doing with the building community. So, I find [00:12:14] these guys to be really open and willing to listen. You know, nobody's really got big egos around here, and [00:12:21] it's really just been a lot of fun and there's been a lot of ease and flow in our collaboration. I think that's reflected in the success of the business.

Ashley Matthyse: [00:12:30] Great. And what else should other investors know about this company?

Neil Passero: [00:12:35] They should take a really good look at the [00:12:41] results. The results that we have produced are a reflection of our commitment to what we're doing, and the alignment of the team itself, and [00:12:56] the passion that this team has for what they are doing, and that is changing construction and how big buildings and big steel infrastructure gets created. It is not a small thing to tackle, and we have created a really exciting path for ourselves that no one else is on. [00:13:17] We've really carved an entirely new opportunity with software in the construction and building space [00:13:25] that promises to not only be a great business by itself, but open up lots

more doors ahead in the future as we branch out and get more creative, as the team has shown, moving from certain aspects of the building process into new ones and being readily absorbed by our customer base who continue time after time to come back for more work. Once we get people involved and they see the light, they see the time savings, they see the money savings, they see the value of what software can do for their business, they may not have a lot of technology in the construction space, but [00:14:03] these are very savvy business people who understand the value of money and of time, and our team can be a great adjunct to their team and they quickly get it. [00:14:16] There's not a lot of resistance around what we're doing, it's just more a matter of taking something new into a new industry and helping people understand how it can help them and stay front of mind, which Christian and the sales team are doing a really fantastic job of. So, the results speak for themselves and it speaks to the commitment and alignment and passion of this team.

Ashley Matthysse: [00:14:41] Wonderful. Thank you so much, Neil, really appreciate your honest and your answers. Jef, if you wouldn't mind giving us some updates on Qnect and the status of your fundraiser.

Jef Sharp: [00:14:54] Yeah, that would be great, Ashley. Thanks a lot, Neil, appreciate it. Your words, you're too kind. Before I go into, sort of a close and update on the fundraiser, I just wanted to give Christian a moment to share a few words about the marketing with us.

Christian Erickson : [00:15:15] Yeah, one thing I want to bring up is - you alluded to Jef was - a recent award that we won and Neil had also pointed out just how our technology is from scratch. This is something that people have tried in the industry, but they haven't succeeded like Qnect has. And so, about six weeks ago, [00:15:33] Modern Steel Construction, which is part of the AISC, which is our big steel association, they awarded us a Hot Product Award for our vertical bracing, [00:15:45] and vertical bracing has been out for more than a few months, but they did recognize this as something that would help the industry really move forward. And so, I just wanted to really make sure that when we say award-winning, it's a real award from a very respectable organization that's often in front of Congress talking about steel issues and they're very involved with everything steel. So, that's an award that we won and obviously, we're very proud of it because it really shows what we've been able to do on

the product side to help our customers and the industry overall. [00:16:29] We've had a really strong number of people that have been signing up directly into the software, and so those numbers are up 83% year to date, [00:16:39] versus the same period last year, and we're seeing a lot more traction of visitors to our website and they're staying on the website, they're finding more interest, and if you go to the website today, you'll see stories on 66 Hudson, which is in New York, and you'll see stories on Aloft Hotel. And so, our services work for these huge skyscrapers, as well as hotels that hopefully you'll be staying in again very soon. So, we're able to really touch a lot of different types of projects.

Jef Sharp: [00:17:15] Nice, thanks, Christian. So, let me wrap up with a few words about the funding round, if I could Ashley. Things are coming together very quickly. We have a lead investor from California, we have Nucor who led the last round, as Christian mentioned, you know, the largest steel company in the U.S., excellent company, great reputation, they're helping us with some of the sales initiatives also and they will be participating in this round as well, along with another strategic investor that's a steel fabricator, totaling almost \$500 K together. And we have support from many of our existing investors, including a VP, Whiting-Turner, president of an engineering firm in New York, just really great, relevant support from existing and new investors. I'm seeking an additional \$400K at a negotiated valuation. We'll close the round soon and we'll get back to focusing, of course, on what we do best, which is building value for our great shareholders like Neil here, and of course, the great shareholders and teammates like Christian. And, you know, and then we'll have lots of good news to report back to everybody. We like to communicate well, we have, you know, as part of our ethos, we have a lot of respect for people, for our customers, for our investors, for our employees, this is really important to us. And if we take really good care of our customers, we know that the business is going to do well because if they're successful and using our product, we don't have to sell much, they'll just keep using us. [00:19:17] Construction is a very hot area for technology investment right now, and we have an awesome product that is patent protected and that's no small feat. [00:19:29] As Neil mentioned, the intellectual property is solid, if anyone listening would like to join us in making this happen - and we are making this happen - like Michael Jordan likes to say, "Only a certain number of people make it happen", to throw a little bit of sports in there. And then, you can contact me directly, I don't know, Ashley, is my number going to be available to everyone at the end?

Ashley Matthysse: [00:20:02] Absolutely.

Jef Sharp: [00:20:02] And then you could also contact Christian who lives in Austin. Either one of us would be happy to give a demo, to share with you the data room, give you as much data as you want about the company, our past, our current financials, etc. And so, yeah, if you're excited about construction, if you're excited about technology, if you're excited about fast-growing companies that are well-managed and executing well, then we'd really love to have you in the list of investors, and friends, and shareholders.

Ashley Matthysse: [00:20:39] Great. Well, with that, I want to thank you gentlemen so much for your time today. This was a really fun interview, and like Jef said, if anyone has any questions, we are happy to connect you. Gentlemen, thank you so much.

Jef Sharp: [00:20:53] Awesome, thanks, Ashley. Thanks Neil, Christian, cheers.