

Gregory Dewerpe of AO PropTech

Speaker1: [00:00:04] This is the Investor Connect podcast program. I'm Hall Martin. I'm the host of the show in which we interview Angel Investors, venture capital, family offices, private equity and many other investors for early stage and growth companies. I hope you enjoy this episode. Investor Connect is a 501 C three nonprofit dedicated to the education of investors and startups for fund raising. Please consider donating \$100 to the program to help others in their investor and entrepreneur journey. You can find the donate button on the Investor Connect org website. Hello, this is Hall Martin with Investor Connect. Today. We're here with Gregory Dewerpe, founder at AO PropTech. Gregory, thank you for joining us.

Speaker2: [00:00:46] Thank you for having me. It's a pleasure to be here.

Speaker1: [00:00:48] Great. So tell me more about your background before investing in early stage companies.

Speaker2: [00:00:53] All of them. So my background is I started my career in investment banking back in the day. It was still a cool thing to do, but in hindsight not so much. I spent about ten years in investment banking based in London. Then I left investment banking just before or as I was trading 30 years old, not knowing what I was going to do next, but knowing that I didn't want to be a banker for the rest of my life. So that was good enough for me to kind of make that that decision. And I went on to set up a real estate advisory practice first, which advised very large institutional clients on all sorts of acquisitions on the public and on the private markets, which then became a special situations fund. So I wanted to launch a real estate Special Situations Fund, which is still operating today and doing extremely well. But as I was doing that, I was firsthand seeing the inefficiencies of the real estate market, the tremendous lack of technology, the massive carbon footprint of the industry. And I really came to the realization that real estate can be one of the most powerful vector for change given its scale and its influence in the global community. And I decided to set up a project in Europe, which today is the largest proptech venture capital firm in Europe, with the idea to back entrepreneurs that are going to transform the industry with positivity and to to make to have a positive impact globally.

Speaker1: [00:02:33] Right. So what excites you right now?

Speaker2: [00:02:36] A lot of things excite me because we are looking at the build world from everything from the supply chain of raw material to design architecture, construction, building operations and all of those different verticals actually can be tremendously improved, can be digitised, can be enhanced through software, through hardware, through deep technology. And underpinning all of that, there is the sustainability angle, which is number one priority for your project. And this notion that the most the single most tangible way to tackle climate change today is, no question, through the lens of proptech. There is no better way today to have an influence in the fight against climate change. And that's what excites me the most. And we're seeing incredible entrepreneurs coming into the field trying to tackle climate change through Proptech as they realized that it's a very meaningful way to do it. So that's definitely what excites me the most.

Speaker1: [00:03:40] We see a lot of investors in startups in the Proptech sector. What's your advice for people investing in startups in this sector? What do you tell them to do before they write that check?

Speaker2: [00:03:49] Look, I think real estate is a is a complicated industry. It's a very fragmented industry. There's multi layers of different kind of incumbents and parties. So for each given asset, you have whoever owns the asset, you have the property manager, the asset manager, you have all sorts of different parties surrounding an asset. So its fragmentation sometimes make it makes it very hard to understand how to scale a business that is going to serve one of those customers of one of those layers and really, truly understand who is the customer within the ecosystem that you're targeting and understanding whether the technology that you're backing is actually solving a real pain point. And this notion of must have versus nice to have and I think where the industry is today is overwhelmed with the necessity to digitize itself. And the priority goes to everything that's a must have that's solving real issues on which its end customer can apply an ROI. And so when you invest in a business, I always encourage to try and really see through all the noise and understand, answer those simple questions about ROI, pain points and who is the real customer.

Speaker1: [00:05:08] Right? And then on the other side of that table, what's your advice for people running startups? What do you tell the founder to do before they go out to raise funding?

Speaker2: [00:05:16] Well, you know, I think there's never been a greater time to be an entrepreneur today, and both from the fact that access to capital has been incredibly democratized. There's a lot of money, there's a lot of money for smart people and access to information, access to all the diverse networks that are necessary for for an entrepreneur to build a business have never been more accessible than than there are today. And so I think focusing on a problem that you care about, being mission and vision aligned is very important. It's very important today to drive the business forward to for it to act as your North Star and also to recruit the best people in the business. You need to be as mission aligned as your vision align today. And it's very important to drive the firm with purpose. I always like to say that profit and purpose have to go hand in hand today. Or there's another way that another thing that I really like, which is companies of the future or the not so distant future. Companies of today have to do well by doing good. And so I think as being purpose driven is very important for those entrepreneurs that allows you to create something that will have value over time, that allows you to weather the the volatility of being an entrepreneur by always knowing why you're doing something and for it to be to have a deeper meaning than just the immediate ones, I think is very important. So that's the kind of things that I like to discuss with those entrepreneurs.

Speaker1: [00:06:49] Well, let's talk about the state of investing in real estate. How do you see the industry evolving from here?

Speaker2: [00:06:54] Well, I think we're in the early innings of a generational transformation of the industry. It's the largest industry in the world. It's \$330 trillion. It is more than the entirety of the stock market, the bond market, the gold market combined. And it also happens to be the single most polluting industry in the world. It's 40% of global carbon emissions. So it is more than aviation, road transportation, agriculture and industrial production probably combined as well. And so I think this is an industry that, having ignored technology for the last few decades, is now in a state of urgency to the need to innovate. And so I think that we're we've seen the acceleration of this need for innovation, probably triggered partly by the pandemic, which has

exposed the shortcomings of the industry. But we are now in a transformation, the profound transformation that will have an impact that goes much beyond the industry itself. Given its scale, given the fact that real estate effectively impacts every single person in the developed world in one way, shape or form. So we see the industry evolving towards digitization, towards decarbonization, towards democratization. There are a number of social issues that can be targeted through race, the housing shortage, social inequalities, access to the property ladder, all those things which are problems today can be solved through technology, can be solved through science. So we expect the industry to start investing significantly more than they ever did and in a rapid pace. And the direction of travel is, is only, only going one way.

Speaker1: [00:08:45] Right. Then what do you think is the biggest change we'll see and say the next 12 to 24 months?

Speaker2: [00:08:50] I think the biggest change I will see is that we're going to start seeing large related companies implementing more and more technology, being a lot more risk takers. I think one of the reasons why technology was ignored for so long is aside from the fact that nobody needed to innovate, the business of real estate was doing very, very finely and very nicely without the need of technology. I think today, if you're not innovating, if you're not integrating technology, you will become completely irrelevant and obsolete as an as a as a large real estate company. In addition to the fact that you will be punished by investors who will ignore you or you will not be appealing for investors, you will not be appealing for customers, you will you will be punished by regulators if you're not at the forefront of climate transformation and decarbonization. So we expect to see a tremendous adoption race. And I think the mindset in the recent companies has changed. And it's they're happy to take risks. And when it comes to technology, this notion of failing forward, I think, which really applies to technology, is becoming a bit more, let's say, socialized within real estate, and we expect to see that accelerating at a rapid pace. Great. Well, let's.

Speaker1: [00:10:08] Talk about your investment thesis. What exactly is it and what's your criteria for making an investment?

Speaker2: [00:10:14] Sure. So I mean, our investment thesis is, again, we look at the entirety of the built world as early as the supply chain of raw material, all the way to building Operation

Tenant Engagement. And in that we check construction, we invest in all sorts of different segments. I mean, our thesis is let's us invest in technology that matters. Technology that matters is technology that solves a deep rooted problem and that helps the industry transition to a more climate conscious, efficient, transparent, affordable industry. So for us, any technology or any entrepreneur that is going to be solving a real problem and meaningful problem on which we can not only apply a financial ROI for its end customer, but to which we see as a necessary step towards a better industry is something that we will be excited to look at at the moment out of our current fund, which is an evergreen fund, i.e. there is no end date to our fund. We are much more flexible to when it comes to the breadth of type of of stages in which we invest. We are now investor in from late seed to series C, so any business that has a product that is ready to scale is a company that we're able to help because we have deep rooted connections with some of the largest related incumbents that can ultimately be customers for those companies. We help them on the customer side. We have them on the product development side, we have them on the data science and strategy side. So we have a data science team in our in the fund, which is very active in helping design those strategies early on. And so our investment thesis is really, as I said, is do well by doing good and targeting companies that are fixing real problems that are becoming a necessity.

Speaker1: [00:12:14] Can you talk about one or two startups, perhaps portfolio companies that fit that thesis?

Speaker2: [00:12:19] Sure can give you plenty of examples, but I'll start with probably one that we like a lot, which is a US company called Span. Span is being founded by an X Tesla team. They have been reinventing the home electricity panel, which is probably one of the piece of hardware that has never evolved but but which we believe is becoming an essential part of the electrification of American homes going forward. Our thesis is each and every single home in the US is becoming increasingly electrified. Think about solar panels, think about EV charging station, think about all those lot and smart devices that are increasingly connected into those homes. And so the necessity to have a central, almost like a brain that aggregates all those electricity, electricity needs in the house allows not only to collect extremely relevant data about the usage, but also to start managing that dynamically the usage of a house in order to prioritize certain flows over others, which allows to use your devices more efficiently, but also allows each and every home to not only be a consumer of electricity, but to become a store and

a distributor of energy which allows to achieve this idea that we can decentralize the grid. And, as you know, decentralization of the grid and problems associated to the grid in the US have been kind of very important. And so this is a great example for for us to be like a team that is creating something that has not been done before, that is miles ahead in terms of technology, advancement and savviness, but again, is helping us transition to a completely electrify residential market in the US.

Speaker2: [00:14:13] In the single family, one market allows us to decentralize the grid, allows us to accelerate electrification of our society or things which we believe are extremely important for for the future. So that's that's one example. Another example in the US and Utah great team called Passive Logic that has created the first fully autonomous building management system that's leveraging artificial intelligence to effectively and efficiently manage buildings in order to save electricity or HVAC consumption and carbon emission by 30% or more. And again, when we think about realistic global emissions, we have to back technologies that are allowing us to build better, greener, smarter buildings. But we also have an existing stock of stock of buildings. And the stat is about 70% of the buildings that will be there in 2050 already do exist. So we need to find ways to retrofit those buildings so that we can make them more efficient. Over time. So that's that's another example of a technology that allows us to accelerate the decarbonization of the built environment. And we're very excited by that. So I can give you many other examples. I just don't think we have enough time. But this would be 2 to 1 two examples that resonate with us.

Speaker1: [00:15:29] Right? Yeah. Well, those are good examples. Let's talk about the challenges in this space. What do you find is the main challenge, your starter space in today's market?

Speaker2: [00:15:38] I think there's a number of challenges. I think one one of the important ones, which is not necessarily linked to PropTech, is access to talent. It's a very hot job market. Competition for for talent is extremely fierce and it's getting more and more expensive. You have to move faster and faster. And obviously it's sometimes a challenge. And the flipside of that is thanks to remote work, you can access talent anywhere. You're not limited by geographical constraints anymore, which we think expands the the scope of where you can hire. But obviously this is something new and people need to adapt to it. Supply chain issues is also a

big issue. I mean, obviously it's not only in PropTech, it's across every single industry in the world, but learning how to build a business around difficult supply chain kind of dynamics is another one. And generally more specific specifically to PropTech excuse me, I think again, as I was saying before, it's it's a very fragmented industry. And so understanding where you have to find your real customers, what your organization to target, how to position and package your your product and your solution in a way that can reduce the length of sales cycles. They can resonate as quickly as possible with your customers. That potentially fits within existing budgets, because we know that real estate is a slow moving industry. And so everything you can do to reduce, kind of reduce slow motion in the decision making or in the process administration is something that will eventually have a lot of influence over your success and the speed and the pace of your success rate.

Speaker1: [00:17:22] Then what are the challenges the investor faces in this space?

Speaker2: [00:17:27] Challenges are. You know, it's it's been a very hot market with valuations pushed quite heavily to the upside. More than that, it's the velocity of transaction and learning how to invest in companies sometimes without even having the ability to meet the founders and the management team, either because you're restricted by COVID travel or because just deals are happening very fast. I think it's been a challenge, especially for us, where we like to really get to know the people we back because we just view this as a ten, ten year kind of journey and we feel like sometimes it's unfair to have to rush. It's also unfair for the entrepreneurs because they don't necessarily realize it, but they take money from you. They're going to have to have you on their board and all of that for for a long time. So they might as well take a little bit more time to get to know you. Aside from that, our biggest challenge is that it's such a huge industry that is in the early innings of its disruption, that there is just so many things to look at at every step of the way across every every step of the lifecycle of real estate in the build world. So sometimes it can be overwhelming because there's just so much to look at. But we try to be as this is driven as possible. But again, there's just a lot going on. So staying focused and being able to prioritize is, is the things we try to do on a on a daily basis.

Speaker1: [00:18:50] Right. Well, there are a lot of subsectors and applications in the proptech space. If you had to pick one or two that are really good opportunities to pursue today, what would you call out?

Speaker2: [00:18:59] I would say anything around construction. I think construction is the most inefficient segment of the most inefficient industry in the world. So there's definitely a lot to do there. Everything around, as I said, decarbonisation, but also everything around climate risk assessment because if this is we're going to try everything we can to get to net zero and solve the climate change issue. But in the event we can, we cannot sorry, we have to learn to live with those new climate risks. And how does it apply? How do you assess the risk as you prepare better for those risks? So these are also areas which we spend quite a bit of time on. And then lastly, everything around design and architecture we think are aspects of the of the life cycle which are very interesting, very scalable, where there's a number of incumbents and potentially you can create much better solutions today that are promoting collaboration and which which will get a lot of velocity eventually.

Speaker1: [00:20:02] Great lesson is that we have here. What else should we cover that we haven't?

Speaker2: [00:20:07] Look, I think we've covered quite a bit of ground. I would say that what we do is far from being a niche. As I said, it's it might not might come across as a niche, but it's it's the largest industry in the world. Over half of the world's assets are real estate assets. It impacts every single one of us, either where we live, where we work, where we travel, where we do all sorts of things. And so I think I always try to educate people about the importance of this industry, its carbon footprint, which is not not enough, the fact that is the most polluting industry in the world, and trying to attract as many entrepreneurs to come and disrupt this industry because again, it has an impact much beyond the industry itself, and it's going to change lives of billions of people if we can make this industry better, more affordable, more climate friendly, etc.. So, you know, just a lot of excitement on our side and we hope to to be able to communicate this opportunity and this segment with the people that are not within within the industry.

Speaker1: [00:21:11] Great. So how best for listeners to get back in touch with you?

Speaker2: [00:21:14] The best they get in touch with us is to go to our website. You have all of our contact details. We're trying our best to respond in a timely manner, and we're always excited to have the opportunity to engage with with everyone.

Speaker1: [00:21:28] We'll include that in the show notes. Want to thank you for joining us today and hope to have you back for a follow up soon.

Speaker2: [00:21:34] Thanks for having me. It's been a pleasure. Take care.

Speaker1: [00:21:39] Investor Connect helps investors interested in startup funding. In this podcast series Experience, investors share their experience and advice. You can learn more at Investor Connect dot org. Hal Team Martin is the director of Investor Connect, which is a 500 1c3 nonprofit dedicated to the education of investors for early stage funding. All opinions expressed by hall and podcast guests are solely their own opinions and do not reflect the opinion of Investor Connect. This podcast is for informational purposes only and should not be relied upon as a basis for investment decisions.