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CST builds blueprint for dominance

By Joe Wessels

Cincinnati Business Courier
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Local Internet company Construction Software Technologies, with several recent acquisitions, has become the largest construction bid solicitation firm in the country.

CST, doing business as ISqFt.com, began in 2000 with an annual revenue of \$250,000; this year it plans to top \$10 million. And CST projects sales will double again in 2005, said Dave Conway, the company's CEO.

Conway said Blue Ash-based CST, which has 150 employees, plans to hire 50 more during the next year.

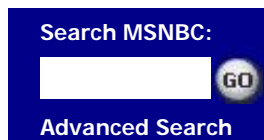
CST creates online "plan rooms" for the commercial construction industry. Where traditional plan rooms require contractors to travel to a location and view hard copies of sometimes hundreds of pages of architectural drawings and specifications for different commercial projects, CST's flagship ISqFt product allows them to do all that on the Internet, as well as print out their plans in its

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Once online, the plans can be viewed by everyone associated with a project, Conway said. Subcontractors benefit from 24-hour, seven-day-a-week access to a multitude of jobs, and contractors can share information about a project from one source.



"Our continued growth in the market is confirmation of our strategy and has enabled us to develop the confidence among our investors to fund the acquisitions," Conway said.

The Courier reported in June 2003 that CST received \$5.5 million from Cincinnati venture capital investor River Cities Capital Funds in 2002. The company also received another \$2 million from principal investors last summer and immediately put the money to work.

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CST acquired Memphis-based MC2's BidFax product line, a bid-management program, last month. The sale price was not disclosed, but BidFax brought 3,900 users to CST. When purchased, BidFax was the country's largest bid-solicitation company. BidFax users can send construction-related information to contractors and others via fax, e-mail or mass Internet fax. ISqFt, pronounced "I-Square-Foot," is currently migrating BidFax users over to its Web-based service.

Last January, CST purchased Omaha, Neb.-based US Projects. That company provided construction planning news and information, and it continues to employ 20 people under the new owners. It is still located in Omaha.

ISqFt has about 7,200 clients with more than 25,000 users currently. Subcontractors pay about \$1,500 annually in Cincinnati, giving them full use of the site. Prices vary, though, from market to market, going as high as \$250,000 a year for large national general contractors.

Conway likes to cite "Company of the Future," by Frances Cairncross, a book he keeps on a shelf in his office. In 1999 FedEx earned \$500 million just sending construction plans around the country.

With this online software, architects, developers and contractors can easily swap blueprints via the Web, eliminating the expensive overnight hustle. Once received, blueprints and other features catered to the construction business -- like measuring the blueprint drawings on the computer and being able to send bids out via e-mail -- keep the process simple. Typically, sending plans in tubes overnight or visiting project plan rooms was the only solution. And it wasn't efficient.

"If you go back many years ago, we literally sent out thousands of

postcards for each project to let contacts know ... and that took a huge amount of time," said Pete Strange, president of Messer Construction, also a CST investor and board member. "As much as I support the business plans of FedEx and Airborne, we aren't spending huge sums sending plans across the country."

Though buying has been at a brisk pace lately, there are no plans to slow down right now. Two acquisitions are in the works, Conway said. They should be announced later this year.

"(Company executives) have positioned us for pretty dramatic growth, and that was the point of doing the acquisitions in the first place," said Phil Ogilby, who founded CST in 1993 and continues to work in the company in sales. "And they put us in a great place to grow our market share at a rapid pace."

There are a few spots where CST believes it could still invest some money.

"We have a terrific platform now," Conway said. "We are going to fill in some gaps."

Conway said acquiring both BidFax and BuildPoint -- coupled with the US Projects buyout earlier in the year and others planned later this year -- positions ISqFt to continue its dominance in online plan room technology.

Besides complete company takeovers, partnerships have been key to the company's success. An agreement with The Associated General Contractors of America, which was signed in March 2001, gave the company instant credibility in the construction marketplace. Conway said, early on, companies would pass on the service, expecting ISqFt to be a part of the dot-com market bust. Joining with AGCA changed all that, Conway said.

A partnership with Hewlett-Packard has made a big difference in ISqFt's success, Conway said. When contractors look at blueprints online, some still want to be able to print them out and view them the old-fashioned way.

With a large-format printer, contractors can do that. Though they normally cost about \$3,200, Conway was able to negotiate a price less than \$1,000 for his customers.

"That's one of the drivers in our growth," Conway said.

Investors in the company were leery at first, after the Internet bubble burst. What piqued interest, though, was CST's tenacity through the storm.

"They had suffered through the toughest time an Internet company could go through, and they managed to emerge from

that with real customers and a real business model that was gaining momentum," said Dan Fleming, a director at River Cities Capital Funds and an investor in CST. "A large fact that their company exists today is because of the perseverance in the down time."

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