

Computer company has mud on its boots

Knowing construction industry is iSqFt's blueprint for success

BY JAMES PILCHER | ENQUIRER STAFF WRITER



BLUE ASH - Shortly after the dot-com bubble burst in early 2000, the newly hired president and chief executive officer of iSqFt found himself following the same model as previous Internet-based counterparts.

And with investment capital drying up, Dave Conway was having about as much luck as other dot-coms in raising new money.

So Conway decided to try it the old-fashioned way - going after customers before potential investors.

The Internet company for the construction industry now has revenues of almost \$10 million a year, going from no customers in those early days to more than 7,500 at the end of 2004.

Projections call for that number to double this year, and while he won't provide specifics, Conway says the company could be profitable by the third quarter of 2005.

"There were times in the early days that we were wondering on Monday how we were going to make payroll on Friday," says Conway, 43, who grew up in Forest Park. He put in more than \$250,000 of his own money to help keep the company going early on.

"But now I can say we continue to be very bullish on the future of our business."

The company, formally known as Construction Software Technologies Inc., was making estimating software when Conway took over in 2000.

Conway says he came aboard well equipped to change the firm's direction.

In fact, that was one of the things that drew him to the job. He had experience both in the construction industry out of college and later in creating a new company.

So it wasn't long after he came aboard that he got the company looking at the Web as a way to distribute its product.

"We really thought we could create a system to make this work and create value for customers, and we needed a more efficient way of doing it," Conway says.

BLUEPRINTS BY INTERNET

Since then iSqFt has survived while many other attempts have failed at the same thing - providing Internet access to blueprints from "plan rooms" all over the country on a subscription basis.

This allows would-be contractors to tailor their bids while saving on printing and shipping costs. Conway says previous market research showed that a typical \$150 million construction project can produce 150,000 documents, and that in 1999, FedEx earned \$500 million just from construction companies shipping blueprints.

Now, iSqFt is one of a handful of companies left doing this work, with Conway's privately held firm the market leader. iSqFt also provides a service that allows companies to manage subcontractors and suppliers on both publicly funded and private projects.

"At one point, money was falling from the sky, with more than \$1.7 billion raised for construction-themed Internet companies," Conway says. "Virtually all of that money is gone now."

CLOSE CALL, CAFFEINE BUZZ

Credit the company's shift to customers over capital to an epiphany brought on by the powers of Mountain Dew and the adrenaline rush of getting pulled over for speeding.

The year was 2000, and Conway was driving back one night from Chicago after being turned down by yet another investment firm.

Somewhere on the interstate, Conway saw blue flashing lights, but he didn't get a ticket - "the trooper must have seen the rejection in my face."

That close call and his soul searching later as he channel-surfed at home while coming off a caffeine buzz led to "a watershed event" for Conway and his fledgling company.

"I finally realized that to build the company and value, that we ultimately needed to get funded, but instead of just asking the capital markets for that money, we needed customers first," Conway says. "It almost sounds crazy, I know, but back then, all you needed was an idea and the elements of a business to get funded.

"Doing it the more traditional way has really been the reason why we have been able to survive and grow while hundreds and hundreds of others failed."

Conway vividly remembers a conversation with a local investment firm, which told him in early 2001 that once he hit 1,000 paying customers, it would consider him.

Less than a year later, Conway was able to go back to River Cities Capital Funds having exceeded that number, thanks in part to his own self-loan but also to an "angel" investor Conway will not name.

"We had invested in something similar in the past, but it didn't work out," River Cities director Dan Fleming said. "But when we saw that they had 1,500-2,000 people willing to open their checkbook, there was a lot of validation there."

Still, the firm did its due diligence, using Bond Hill-based Messer Construction to test the product. Messer, one of the region's largest construction firms, liked the service so much that it invested its own money, buying about 2 percent of iSqFt.

SIMPLICITY AND SAVINGS

Messer chief executive officer Pete Strange says iSqFt simplifies the complicated and labor-intensive bidding process and has saved his company at least \$50,000 a year alone in shipping, postage and associated labor costs.

"Sending out invitations for subcontractors and suppliers to bid used to be done by hand, and it was really haphazard," says Strange, whose company did about \$400 million worth of work last year. "Now we can really target who we want on a particular job."

He also says Conway and others at iSqFt have an understanding of the construction business, especially since Conway's previous experience as a construction materials supplier gave him insight into the mud-and-work-boots world of contractors.

"It is a very risk-averse business with very low profit margins," says Conway. "It takes a lot for people to change how they do things if they made money on the last project."

'WE JUST KEPT GOING'

Messer's endorsement led to River Cities providing \$5.5 million in financing. Then, iSqFt beat out 200-plus other competitors to land a key partnership with Associated General Contractors of America.

"They are just in a different place than everyone else both in what they provide and in how much they understand the industry," says David Lukens, the association's chief operating officer.

Conway acknowledges that a public offering is not the far-fetched idea he once thought, although such an event is ways off.

"We just kept going through the leanest of times, and I think that has given us an appreciation of where we are now but also humility that we have to keep going," Conway says. "We just kept saying we are not going to fail, and we didn't."

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