

The only global venture investing in construction technology, a profile of Fundamental

With #QVCs, Maddyness UK profiles different funds to give founders and entrepreneurs the information they need to choose the right investor. Today we interview Adam Zobler, General Partner at Fundamental.

There are two main North Stars that helped us initially to chart and navigate the direction that we chose for *Fundamental*.

In an era of change, construction has been left at the altar by the efficient frontier. Construction is the biggest, undisrupted market in the world – an \$11T market (10% of the world's GDP), which employs 1 in 14 workers globally. Yet the construction industry is massively inefficient and getting worse. We have recently seen a severe productivity decline of -23% from 1990, whereas manufacturing and agriculture grew 240% and 290% respectively during the same period.

In 2019, the “why now” that helped navigate our decision was that the construction industry was starting to go through a teething phase of a much-needed evolutionary growth spurt. At the time of formation, we were – and remain today – fervent believers that the industry will become an orchestrated economy. This added to our belief that construction was during a Renaissance funding cycle. In terms of venture funding and supporting innovative founders,

by observing other sectors and their patterns, we noticed that it generally takes sectors ~five years to scale from \$5B (in venture funding) to \$50B.

As such, by the end of 2018, the construction industry achieved \$5B in funding... we are now at \$20B year to date. It's therefore likely that we will see three times this in the next two to three years.

Foundamental is the *only* global venture fund that is global, investing in construction technology. We aim to be the first institutional investor in the companies we partner with, and our firms have raised in excess of \$1B, which is double that of our closest sector focused peers who have been deploying capital for twice as long as we have.

We are lucky to have worked with top founders from across the globe, and it has just validated our excitement for this space.

How has Foundamental evolved over the last couple of years?

Global benchmarking and early trend recognition – our verticalised model has given us pattern recognition on a global scale. Over the past years, we believe this has given us a severe advantage over or sector-focused peers.

We have become increasingly more agile at identifying companies with the greatest potential for scale, whilst also alleviating the most prevalent deep tissue pain points that the construction industry is suffering from on a daily basis.

Which industries are you working in?

Foundamental invests in tech solutions tethered to the construction industry, as well as adjacent markets that directly influence construction, such as logistics and supply chains, architecture design, and planning.

Construction technology comprises all technologies that aim to help automate and augment the myriad of processes in the built environment, empower field workers and small businesses to be more productive, work more safely, as well as making construction cleaner and more sustainable.

Not many people realise the cataclysmic effects of construction on the economy, on society and on the environment. To give a few examples, the construction industry emits 17% of CO2 emissions globally, employs almost 1 of every 14 workers globally, and is responsible for 1 in 5 deaths in the US

workforce.

The industry is plagued with challenges; not enough labor to be employed, project delays, costs overrunning into the billions, and sometimes dangerous working conditions.

We aim to find and partner with the bold and bright who strive to make the built-world autonomous and clean through technology and science. It's about time we rewire its archaic, analogue workflow steps to make it fit for purpose for the digital era.

What do you look for in a founder?

We look for founders who have empathy for the industry.

At first blush, especially in early-stage companies, we subscribe to the thought that the most scalable ideas don't need to tackle dramatic problems, but rather they have to tackle neglected ones – i.e., if a founder can articulate an ailment or pain-point, can artfully describe an elegant solution to alleviate said pain point, and can craft a believable story with a compelling value proposition, then we're all ears.

The construction industry is extremely analogue. And going from paper trails, phone, fax (yes, you read that right) to software is not a straightforward process. We often see experienced product developers building incredibly sophisticated products for contractors, craftsmen, and field workers, but adoption is a real obstacle.

Many times, construction workers find them too complex, or simply do not have the time to learn how to use them. More often than not, such solutions do not provide immediate value to them. Finding a wedge into the market where you can deliver value from day one is a key challenge for construction tech founders.

Can you talk about your current portfolio?

We started investing at the end of 2019 and have, to date, 61 companies in our portfolio, representing \$5.4B in aggregate valuation; one firm generating \$1B+ in revenue, having become the fastest company to reach unicorn status in India, and six other companies with \$100M+ in run rate. To mention a few.

Infra.Market (India). India's largest multi-product construction materials brand

that transforms the construction materials supply chain, not only in India, but also globally.

Mighty Buildings (US). Employs 3D printing and full-stack automation, which is 50% cheaper and five times faster than traditional site-built. File to print: product nimbleness.

PowerUs (Europe). Expands the talent pool accessible within the EU, creating an engaging and intuitive way for skilled blue-collar workers to improve their careers through upskilling opportunities

Forge (US). Building and powering the next generation of trades workers.

WizFreight (APAC). Supply chain startup that offers digital freight forwarder services for export/import cargo (sea/air + truck + warehousing + customs clearance etc.) – a supply chain must!

TuL (LatAm). Category-defining construction technology marketplace started as the mega-distributor for distributed construction hardware stores.

Lun (Europe). Makes the pre-installation of heating pumps process smooth for installers and consumers, removing risk, waste and the admin headache. The big reason why now is demand for heat pumps will explode in Europe amidst the climate emergency, a more stringent regulatory environment, and geopolitical risks that have been recently made clear, collectively pushing fossil fuels out of heating.

How has COVID-19 changed the way you operate?

Surprisingly, not that much. Whilst most of the team resided in Berlin, we were meeting founders across the globe, daily, and it was our main practice to take calls over Zoom with most of them. Silicon Valley is not a physical place anymore – it's a mindset.

What does the future look like?

Hard to pin down what the future will look like, exactly, but we're ultra-focused on deep tissue pain points and one such pain points the industry cannot turn a blind eye to anymore is that construction is hamstrung by an ageing workforce.

We are on a trajectory of building the most complex projects we've ever built with the least experienced workforce we've ever had. So, we feel confident in the "big threads" that will have the most impact on this adoption in the

industry as a whole.

There are a few tech trends we get excited about. For example, autonomous, heavy equipment uniquely addresses long held pain points of the construction industry by offering a safer, more productive solution that can operate 24/7 without risk of fatigue or injury. To that end, SafeAI, a Fundamental portfolio company, has built an open, interoperable full stack autonomy platform that can be retrofitted across an existing fleet of industrial equipment.

It can also range from tech-enabled services aimed at discovering retaining and upskilling labor is also one of the biggest pain points globally, to solutions like TuL, which provide a digital storefront to Latin American family stores selling building materials and equipment, whilst handling all the fulfilment and supply chains behind it using powerful data analytics.

What makes Fundamental different?

From day one, Fundamental has been global, and conviction driven, dedicated to solving deep tissue pains in one key industry.

In three years, we invested in virtually every single continent, except for Antarctica. This was made possible with how we set up the firm, with each of the General Partners respectively from India, Germany, and the US, covering a specific geography.

For example, through our investment in Infra.Market, a material marketplace and one of the fastest growing tech companies in India, we gleaned the salient variables/ingredients necessary to produce a successful material marketplace within the built world. It afforded us to develop and refine our thesis and ultimately hunt other regions that would be fertile ground for growth to support fast adoption, outsized growth, which led us to TuL, a now Latin American category leader.

We're at the S-Curve of innovation and adoption, the market is inflecting due to pull-in demand by industry stakeholders for solutions that will buoy productivity and efficiency.

Over the last ~six months, whilst others are on the back foot, finding refuge on the sideline, we are increasing velocity and electing to double-down on our thesis and our model, and the exceptional "maverick" founders innovating within the built-world industry.

What one piece of advice would you give founders?

Be ultra-focused on driving immediate value, learning to adapt and, in construction, execution is the moat. No product vision has been unbent by the centuries-old industry know-hows and expectations.

Adam Zabler is General Partner at *Foundamental*.

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