SmartRent

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Rod Hall: Okay, so, welcome.

Lucas Haldeman: Thank you.

Rod Hall: So, great to have you here. We're finishing up the conference, hard to believe; four days of extremely busy conference activity. My name is Rod Hall. I cover hardware technology, but also really infrastructure technology and consumer systems for Goldman Sachs. Very pleased to have SmartRent here. Lucas Haldeman, the CEO and founder of the company. So, Lucas, thanks for coming. Really good to have you here at the conference.

Lucas Haldeman: Yeah, it's great to be here. Thank you for having us.

Rod Hall: Yeah.

Lucas Haldeman: This has been a great conference.

Rod Hall: Yeah, and I'm really looking forward to this conversation because we get to dive into the real estate market a little bit, which is something we don't get to do too much on my team.

Lucas Haldeman: Yeah.

Rod Hall: And I'm very interested in that making because it's an interesting market. I thought that maybe the best way to start this would be to have you give an introduction of yourself and the company, just kind of explain what SmartRent, does for investors that might be listening in or watching, who aren't as familiar with the company.

Lucas Haldeman: Sure.

Rod Hall: You could start there.

Lucas Haldeman: Yeah, yeah. Fantastic. And thanks, everyone who's here, for coming, and we're excited to be here.

So we started SmartRent, really as frustrated real estate operators looking for a technology platform that we couldn't find. And it was really around harnessing the power of smart hardware, smart technology. And what we found as operators, what was missing was, there was really no enterprise management of these systems. There were lots of good devices, and they were great for your house or my house, but no one ever thought about well, how to manage 50,000 or 100,000 or 1 million of these? And so, at its base level, that's what we created SmartRent to do is to be primarily hardware agnostic, work with lots of great brands of smart hardware, but tie it all and harness the power so that owners can actually benefit -- real estate owners can benefit from the data and actually make things actionable.

And then, sort of dovetailing off of that thesis was around we also have our own hardware division where we build some of our own hardware. So, we're hardware agnostic, but there were gaps in the product line, and we needed to go build some of that, so we do that. And then the last piece of our business, we know from being operators you can't mail a box of smart home stuff to an apartment and expect anything to happen with it, other than it becomes a doorstop, maybe. And so, we have a large professional services field services team. We do the installation and the training.

Rod Hall: Yeah, it's like most businesses, as an analyst, you start hearing about it and you think, boy, this is awfully complicated. You know, kudos to guys like you that go out and do this from scratch. It's kind of unbelievable to me, sometimes, to think it happens.

Lucas Haldeman: Yeah.

Rod Hall: But the other thing I'd say is that hardware agnosticism we've always thought was a great idea. You focus on what you're good at and let the hardware guys design the hardware.

Lucas Haldeman: Yeah, I mean, we get to benefit from every major consumer brand, you know, Amazon, to Google, to Honeywell, to Yale. We benefit from all of their R&D. And so, we felt like, you know, others have taken the opposite approach of being a very closed system, and we just, we feel like philosophically, that's the wrong approach to take in this day and age.

Rod Hall: Right. Yeah, we tend to agree with that. The value proposition to the operator, can you talk a little bit about that? Why does somebody who's running a multi-family, you know, sort of a building want to work with SmartRent? What is it about this that appeals to them?

Lucas Haldeman: Yeah, I think this is one of the most interesting aspects of this business is there are so many different ways you can get ROI, and so it kind of goes to both the P and the L side of the P&L. And so, on the revenue side, this is -- having a smart apartment is something that residents want and will pay you more for, just like if you have hardwood floors or a granite countertop or a view, you get more in rent. And this is an amenity that residents want, so that's the easiest one to kind of describe is, hey, your residents will just pay you more rent. And we have some great public companies that have come out on my earnings calls and given us that data, so we have real data we can point to that says you're getting

$35- to $50-a-month rent bump per unit per month. And so, that's one side.

The other side that I think is more impactful, but harder to underwrite, is around how smart devices can better protect and better control our assets. And if you think about leak sensors, if you don't spend a lot of time in multifamily, it may not be intuitive, but 70 percent of the damage done to apartments is caused by water, so it's not like oh, that's a trivial little thing. Like, that's the number one, two, and three reason that apartments get damaged. And so, putting in leak sensors and writing an emergency work order when that gets wet, that has real, substantial savings to the owner.

And then, the other thing I'd touch on is before SmartRent, I came from the single-family rental side, where we pioneered this idea of a self-guided tour where you could prequalify yourself and go visit a home without meeting a leasing agent, without meeting someone. And so, we've now seen the multifamily industry really embrace that. COVID was actually a great catalyst for that, where people who had been doing business one way for a long time suddenly said, I can't just keep doing business the same way, and so opened their eyes to these new things. And so, we're seeing some owners that are saving 30, 40, 50 percent of their labor costs by embracing technology.

Rod Hall: Interesting. What would you say the biggest challenge to getting people to adopt this is in the industry?

Lucas Haldeman: Well, I would have a different answer before we had the supply chain issue.

Rod Hall: Right.

Lucas Haldeman: So...

Rod Hall: Let's say the supply chain was normal. What would the --

Lucas Haldeman: Yeah. Really, I think what we fight in the real estate industry in general is just inertia.

Rod Hall: Yeah.

Lucas Haldeman: And so, it's trying to get someone to think outside of the way they've always done business. It's not an industry that likes to be a leader in innovation, it's a follower.

Rod Hall: Right.

Lucas Haldeman: And so, if we can sit down and actually go through the value with people, it's a very easy conversation. But initially, it's a little shocking, and they say, well, I've always done it this way, and why would I change that?

Rod Hall: And you've smartly partnered with some big developers that -- you know, big operators, developers that I think probably helps with that as well. You get kind of some scale adoption within those.

Lucas Haldeman: Very much so. So, when we came to market, we targeted the largest real estate owners first, for one obvious reason, which is they have scale. So, if you own 100,000 units,

that's a great account to get. But the other thing that isn't as obvious is the top 15 or top 20 real estate owners in multifamily are really on the leading edge, and they're a great marketing tool for us where we actually say, don't take our word for it. Look at UDR. Look at Essex. Look at MAA. You know, that these companies are a great source of marketing for us, and it tends to be when you look at the real estate world, there's a very long tail of institutionally managed departments. There's thousands of owners that own, say, 5,000 or more units, but they all look to the largest operators for what they're doing, whether that's our departments or CRM or anything. They're sort of the leading edge.

Rod Hall: And my understanding of the industry, too, the owners, the properties transact a lot. It's kind of a liquid market, and so if these major owners start adopting your technology, all of a sudden, if you want to sell to them, you probably want to have the same technology. Is that the right way to think about the industry?

Lucas Haldeman: Yeah, that's the right way to think about the industry. We definitely, as an industry, there are so many variables that go on when you're managing assets that are all around the country that you crave homogeny wherever you can find it. And so, we don't run two accounting platforms, we don't run two operating systems, and we don't have two different smart home vendors. And so, for us, that's a great benefit. Our natural growth happens just as our customers buy more properties that we do without going back and reselling anything. We just, literally, every week, get new orders in from existing customers that say, well, we just bought a building. Let's go do it.

Rod Hall: So, one of the things that probably most people, when you talk about automation, home automation, building automation, they'd immediately think about locks. But there are other things that SmartRent offers as services or products that I don't think are as obvious, so I wonder if you could dig into some of the different offerings you've got, particularly things like parking and so on that are, I think, interesting and innovative.

Lucas Haldeman: Yeah, you do, when you think of a smart home, you think of the home, but it actually -- it's a great point, Rod. It does start outside the home in the parking lot. And so, even if you just think about the friction, whether you're in a multifamily building or even at your office, like of people parking in the wrong spot is a huge headache. And we've always relied on, on humans to have to go solve that issue. We now can augment that with technology.

So, we have smart parking, we have a smart video intercom, so when you approach the front door, you're able to get in. And then, common area access control we think of separately from unit access, and so that's more like parking garages and elevators and front doors to the lobby. That's a different product line as well. But really, it goes from the curb to the couch, as we say, all the way through. And it's another benefit of being hardware agnostic is we can take all these different, great devices that have been created and put them into this one platform to manage.

Rod Hall: And I know you had talked about this parking opportunity. It could be turned into a revenue source for owners as well. Is that correct?

Lucas Haldeman: It is being turned into a revenue source. It's a great point. So really, one of the interesting trends we noticed when we started building this product is the construction rules haven't

changed. You have to build the same number of parking spaces as you always have in the past, but residents own fewer cars, and so there's this excess inventory of parking spaces and a lot of these properties that that aren't being filled by residents. And so, we can turn that and monetize that into guest parking for the owner. So, they can actually put that into, you know, a parking platform, and we handle all the transaction of you pull in, you put in your information, you rent it out. We're seeing some owners, a lot of properties that we have are nearby stadiums or ball fields, and they're doing game day parking, and they're making some pretty amazing revenue off of spaces that are just sitting there.

So, every owner hates space that isn't rentable, right, if you're in the rental business. And so, it's a very attractive entry to say, what if I -- you had some parking that's sitting there? What if that started generating revenue? It's exciting.

Rod Hall: I think it's really interesting because I just signed up for -- Cruise in San Francisco has fully-roboticized cars. There's no drivers. You can go in order a car. It's very limited right now. But you wonder, well, you know that world's going to grow.

Lucas Haldeman: Yeah.

Rod Hall: Where do those cars park? What if they're -- they need to be parked somewhere, and you think, well, this would be a fantastic -- and it could be automated. It's really an interesting area of development, I think.

Lucas Haldeman: Exactly. I think it's going to be a huge part of our growth going forward, for sure.

Rod Hall: So let's talk about the pipeline a little bit. Can you just kind of give us an update on the committed units pipeline? Supply chain has been affecting some of this as well, but you know, how does that pipeline look today? Anything else you want to say about the outlook there?

Lucas Haldeman: Well, I mean, we're seeing -- every week we see stronger demand than we did the week before. It's a pretty incredible macro wave that we're benefiting from of everyone -- our platform is broad and has different points that are appealing to different owners, but every owner is interested in some product that we have. Whether it's talking about using less staff to manage your property or talking about better protecting your assets, the demand continues to be incredibly favorable for us.

And so, you know, we have a backlog of committed units of over 700,000, 780,000 units that in the next two years will be coming onto the platform. Even beyond that, though, our current owners own 6.6 million units, so the pipeline is visible even past the two years, we just have this -- some of the things we've been talking with some of the investors today is like, there's just this natural growth that's coming. Like, we've already done all the customer acquisition work, the hard costs to say -- I like to sometimes -- I'm not going to actually do it, but sometimes, like I said, like, we could I feel like we could actually stop selling, and this would still be a business you would invest in.

Rod Hall: Right.

Lucas Haldeman: And of course, we're not. We're out selling every day, but that just makes it more and

more interesting.

Rod Hall: So, we were yesterday talking about the real estate market in general, and I'd like to maybe get you to give us a little bit of a backdrop, because a lot of investors that look at technology areas may not be as familiar with the shortage of housing and so on.

Lucas Haldeman: Yeah.

Rod Hall: But then, could you -- so, could you give a little bit of that backdrop and then talk about the macro sensitivity of the business and what happens if we do get into a recession next year? You know, what would you expect to happen to SmartRent?

Lucas Haldeman: Yeah, I think it's something that's on all of our minds because of the macro backdrop. But when you're looking at it today, apartments are (indiscernible) -- apartment owners are having some of the best results they've ever had.

Rod Hall: Right.

Lucas Haldeman: That's partly a byproduct of inflation; they're raising their rents. And so even like last quarter, you could look at a UDR who's public, and they had 13 percent same-store growth. These are massive numbers. Like, we don't know -- MAA in Q1 had 12 percent, same-store growth. We've never heard numbers like that. I mean, that's incredible, right?

Rod Hall: What's a normal number?

Lucas Haldeman: Four to six percent would be a great year. Right? I mean, if you used to say, I can grow rents at 4 percent and grow expenses at 2 percent, like that's --

Rod Hall: That's a really good yeah.

Lucas Haldeman: Yeah, that's a great business. You're happy with that; you're getting your bonus. And so, these numbers are large, and so that creates a backdrop where there's a very -- there's huge demand. And it comes back to what you alluded to, which is we have a shortage of rental housing in the -- we have a shortage of housing period, but rental housing in the US. And so, we still have demand outpacing supply.

And so, that being said, what I think is interesting about SmartRent is the other side of it is, if we did go into a recession where your rents weren't growing and they were flattening, then everyone -- and we've seen this in other cycles -- everyone goes to the expense side. We help you run a more efficient business. I can take away half of your leasing costs out of the expense side and better protect your assets against water. So, with the ROI that we drive, it's not really subject to that fluctuation in cycles that you'll actually always have a reason to roll us out.

Rod Hall: So, right now, you've got this backlog, but then it should be the case that if things get worse from a rent point of view, you get more demand to reduce operating costs?

Lucas Haldeman: Yes.

Rod Hall: Talk to me a little bit about the installation process for the product. You started off with that when you were talking about the business and setting it up.

Lucas Haldeman: Yeah.

Rod Hall: Can you get into a little bit more detail on that? Like, how does the professional services side of the business work? What's required here to actually get the product installed?

Lucas Haldeman: Yeah, it is one of sort of our moats that we've built, this large field services team that is an incredibly talented group of individuals. It's a very hard roll to fill, because if you think about what we're asking the person to do, they have to be mechanical, because it's a construction project. You've got to take the lock off, you've got to take thermostat off, so you've got to be a mechanically inclined person. It's technology; it's smart devices, so you got to be technical. And then the third one is, you're in someone's home. It's occupied. You have to be personable. I have to like having you in my house.

Rod Hall: Right.

Lucas Haldeman: And to find all three, that's a unique skill set. And so, the way our model works is, we have what -- they're called field install manager. They're essentially a little general -- GC of a job, and they stay at one property. We always have one at every property, and then we augment that with contracted labor, so use a local general contractor to bring in labor, But we have one person there who's going to do all the pairing, all the quality assurance, and run the project.

Rod Hall: So that person is the face of SmartRent with the people that -- with tenants and the property owner and so on.

Lucas Haldeman: Right.

Rod Hall: And then you have contractors come in and do the manual labor?

Lucas Haldeman: Yeah. And that person, we also have a separate team that does the training, so we'll have someone else at the property is actually there just to train. We sit with the staff and show you how to use your new operating system. And what we found is, we can't get utilization of these platforms if we don't have really good training, because it's not something that you can just say, here. Here's your new iPhone; use it. It's like, we've actually got to say, okay, when this happens, this is the new process. So, we train the leasing staff, we train the property management staff, we train the service staff, and then we're also there to help train the residents and help them understand the benefit that they're getting from these devices.

Rod Hall: So, what about -- do competitors do this sort of thing as well, or not at all? They just kind of throw it out there, or how does the competition respond to what you're doing in that respect?

Lucas Haldeman: Yeah, no one has duplicated what we're doing. They're now -- all of our competitors have now started to hire people, but they're way behind. I mean, that was -- I think the difference was, we were coming from being operates, and we just intuitively knew there's

no way to not do it this way. Like, it wasn't even like a real clear decision to say, we should have a field services team. It was like, we know this isn't going to work without it. And so, we're now seeing, because we've scaled faster than everyone and grown faster, certainly everyone is taking note of how we're doing it. But now we're out ahead and we've got that that lead.

Rod Hall: And I guess that since you started off this way, you have processes in place to train people and so on. That all takes time, too, right --

Lucas Haldeman: It does.

Rod Hall: -- to develop the materials and training and so on?

Lucas Haldeman: Yeah. And actually, even the contracted labor that we bring on has to be certified in our platform, and so you have to go through a training module, and you have to go -- all that needs to be built and understood. And you can't operate at the scale we're operating at and continuing to grow that scale if you don't have a really good institutional underpinning.

Rod Hall: Right.

Lucas Haldeman: You know, we've got hundreds of individuals now out installing every day. But you know, you can't solve those problems with a notepad, right? Like, it's got to be a durable system.

Rod Hall: So, since we're on that topic, how does the labor market effect that? It's been very tight. Is it tight for this sort of person, or are you finding it difficult to hire people? Talk to us a little bit about that.

Lucas Haldeman: Yeah, we're fortunate that we're not -- it's not difficult to hire people, but the cost is certainly going up. And it's more pronounced with our contracted labor, general contractors. And that's actually, I believe -- or I hope, I'll say -- has peaked and started to come back down. So, as construction got tight in single-family homes before we started seeing interest rates rise, our labor skyrocketed. Some markets were 80 percent month-over-month cost difference. So, you've paid someone $50, and you're paying $100 the next month is pretty shocking. So, our W-2 staff that -- our field and install managers we're able to attract and retain those people. We have some really low turnover there, and there's a few things that we do that that drive that. But the cost of labor certainly shot up on us.

Rod Hall: Well, talk about that. How do you keep people? How do you reduce turnover? Is it top-secret, or can you talk about it?

Lucas Haldeman: It's sort of top-secret, yeah.

Rod Hall: Okay.

Lucas Haldeman: No, it's not top-secret. So, I mean, one is I think we've always had a culture of people who come from multifamily. And even in our field team, we hire them. And that's a -- I think, building that company culture has been really vital that we're -- every one of us,

from myself to COO, anybody, we could go do the install. If you said to me, go do these apartments, I'd say, you got it. Let me take my sport coat off, but I'll go do it. And so, I think that permeates through the team.

Another thing that we've done which I've talked about elsewhere, but I don't think people quite understand the impact it has is, we pay 100 percent of healthcare for every employee and their dependents, 100 percent. And so. whether you're a software engineer or a field install manager, we're taking -- or a customer service rep, we take care of that. And I think that's been one of our biggest drivers of low turnover, that the cost that that cost of the business, if I gave you that in a raise, it wouldn't be as meaningful as saying, I'm taking care of your healthcare costs.

Rod Hall: (Indiscernible), I might want to apply for a job after we get done with this.

Lucas Haldeman: Yeah. How are you at installing smart devices?

Rod Hall: Yeah, I'm not that good. I do a little bit, but... Okay, and so, you're saying that all the leadership team has to go through training for the installation process and --

Lucas Haldeman: Well, yeah, most of us, we're the original installers. But yeah, no, we do -- not necessarily, I wouldn't say everyone has to go through our training module, but everyone on the senior team has been there and been in the weeds. And we send every new employee out for a week to be in the field, to actually experience it. I don't think, if you haven't lived that, you don't really know what this team is experiencing, and you can't really be empathetic to what they're going through. It is a very, very difficult job. There's a lot of things going on that you're trying to manage.

Rod Hall: So, when you guys started this, you were actually out installing it?

Lucas Haldeman: Absolutely.

Rod Hall: Okay.

Lucas Haldeman: Yeah.

Rod Hall: So, let's talk about supply constraints a little bit.

Lucas Haldeman: Okay.

Rod Hall: Supply has been a problem with everybody. Every one of these conversations I have -- I've had 17 of them now -- supply is a topic, and you've been affected by it.

Lucas Haldeman: Yeah.

Rod Hall: So, can you maybe give us an update on what the status of it is, what you're seeing, what's hard to get, and how you think it progresses from here?

Lucas Haldeman: Yeah, I think this will be similar to the other 17 versions you've heard of this, but it is -- it certainly is not that there is no supply of anything, but there are isolated instances where

we're still having issues getting the hardware we need. And so, in certain cases, like if you're talking about our smart home hub that we put into every unit, I have as many of those as I want, right? Like, there's no supply constraints at all. We're fully back to sort of a normal world. Haven't totally seen the cost of the chips come back to where they should be, but at least I can get them.

And then there's things that we install, really around the common area access product, which is a really important piece. If you think about self-guided tours, you can't do a self-guided tour if I can't get you in the front door, and so it's sort of a key component. The supplier of those boards that we use, you know, has -- it's been a global shortage now coming on 18 months. We're just starting to see that start to improve. We're getting not as much as we want, but more in.

And so, now the next phase of this for our business in particular is, even if you said tomorrow, here's a supply of everything you've been wanting, we still have to then go out and finish all the installation. And so, every day that we don't have full supply continues to push out that backlog for us. It will take us, you know, into sort of probably middle of next year before we really come out of having -- being impacted by the supply constraints. And we don't anticipate supply will be constrained until middle of next year, just to be clear. But even when we get the supply, we still have to go work through our backlog.

Rod Hall: You've got to work through all the backlog.

Lucas Haldeman: Yeah. Yeah.

Rod Hall: Are you seeing a thawing of the supply at this stage, or what --

Lucas Haldeman: Yeah.

Rod Hall: -- what's your feeling for what's --

Lucas Haldeman: Yeah, I mean, I actually would be curious to see what -- I mean, I think you talk to a lot of companies. But yeah, it feels like it's thawing. There's still weird shortages, and it's sort of like whack-a-mole. Like, something comes up. Like now, maybe we're going to have a rail strike and have --

Rod Hall: Yeah.

Lucas Haldeman: You know, so it's like, please, can we just go back to normal? So, I think we're feeling optimistic, but not out of the woods, other than in certain cases, we are out of the woods. But to be truly through it is going to take a little while.

Rod Hall: Yeah, the consumer electronics end of the world is definitely -- PCs, in particular, are very, very weak in terms of demand. So, there's supply coming available, but most companies on the other side of that aren't seeing the benefit yet. So, everybody's looking at that and saying, well, I should be feeling a benefit, but I don't feel too much of a benefit yet.

Lucas Haldeman: Yeah.

Rod Hall: But things are getting a little bit better, I'd say, generally.

Lucas Haldeman: Yeah, and we've seen -- well, we've done it ourselves. We've changed components on our hardware, and we've seen other vendors that we use, hardware manufacturers, willing to change their product and say, okay, if I can't get an ST Arm chip, I'll get a Nordic chip. And there's work to make that happen, but we're seeing that happen, too, which is helping.

Rod Hall: Yeah. Competition, let's talk about that a little bit. Who do you see as your competitors, and who do you see most in the market?

Lucas Haldeman: Yeah, it's a straightforward question that has a more complex answer than you might expect. It's especially complicated with our acquisition of SightPlan. So, in March, we acquired a pure software company that sells to the same customers, multifamily, software, all SaaS, no hardware, so that's great in these supply times. But that broadened our breadth to where there's really no one that compares to us, unless you go up to like a RealPage, you know, a large property management company. And that -- we've taken a big step towards being -- we've always been the most competitive platform. That's sort of what set us apart from the beginning is we had the most breadth, and we've continued to add to that.

And so, I know that sounds like I'm not answering that question, but -- and so I will. On the smart home side of the IoT side, we do run into a RealPage. They acquired a company called STRATIS, who was a competitor of ours; and they acquired a company called WhiteSky that has a competitive Wi-Fi product to ours, and so we see them. And then, most of the other companies, there's been consolidation, like IOTAS was a competitor that now is owned by ADT. They sold to ADT. We've seen some consolidation of mergers. But it's still amazing to me. I would have told you two years ago, by this time, we'll have a really strong competitor. It's a huge opportunity. There's 29 million apartments institutionally managed in the US alone. Less than a million of them have been upgraded to be smart. There's a massive greenfield opportunity, but we haven't seen any of our competitors be successful at copying our playbook and being able to scale.

Rod Hall: Yeah, it's pretty tough to develop over -- you know, to do all of this, installation plus have the technology layer, and so on.

Lucas Haldeman: Yeah. Yeah, I always would say when I was in the property management, property management is a pretty simple business, but it isn't easy. And that's true of our business as well is, it's not wildly complex, but it's very had to replicate what we've done. It's not easy.

Rod Hall: Yeah. Can you talk a little bit about the longer-term growth expectations you've got for the business? How fast can this thing grow? Let's say supply fixes itself by the middle of next year, like you say. But as we look out further, you know, what do you see the growth rate being for the business? What's the ballpark? And how do you think about profitability, too, within that?

Lucas Haldeman: Yeah, well, I think I'll start with the profitability and work my way there, because I do believe it's very important that we get this company profitable. It's not today, and we're on track to cross into profitability sometime in next year. And that's what we've sort of guided publicly, so that that has a bearing on how fast we can grow, because we do need the staff and this team out there. I could say if I have 200 installers, one argument would say, go add 200 more, even if you don't need them, and that way, when supply frees up, you can grow much faster. We don't actually think that's prudent, and so we're not doing that. But it will mean that as we grow our monthly units, you'll see it grow in a nice pace.

But the macro view of that, too, is that if we're doing 20,000 units a month on average today, you can see a time in the not-too-distant future where that could easily be 200,000 units in a month. You know, there's enough demand and enough supply out there that we could go do that.

Rod Hall: Are there any other property tech proxies, you know, if you look at other prop tech companies that have seen that kind of growth? Or do you think -- or is it such a new area that you really don't have it? There aren't good examples, historical examples for this kind of progress?

Lucas Haldeman: Well, I think the best historical example that I could share is just when we saw accounting move to computing.

Rod Hall: Right.

Lucas Haldeman: In the '90s, we went from a lot of literally ledgers to then, that's where you see Yardi and RealPage are the two dominant property management accounting systems. And that really, from a time of, I'll call it '95 to 2002, basically, every apartment in the country went to some system and had growth in that. We haven't seen it, really, in our vertical because there are no existing smart devices out there that owners were putting in.

Rod Hall: I've been doing this long enough, I one time had a meeting with an investor. He'd been around a long time. And we sit down and talk about the company, and he pulls out a paper spreadsheet and lays it out and starts asking me questions and erasing and writing in pencil on the spreadsheet. So yeah, and that didn't last long. Everybody got away from that. It looked horrible. I was like, boy, that is a lot of work.

Lucas Haldeman: Yeah.

Rod Hall: Let's talk about M&A. On M&A, I'd like to back up the SightPlan and have you maybe do a little bit better, broader explanation of what SightPlan does, just for investors that may not be familiar. And then, talk to us a little bit more about M&A, too. Are there opportunities, other opportunities out there, things that you could use maybe technologically that are available?

Lucas Haldeman: Yeah, so SightPlan was a really important strategic acquisition for us that we made in March. It was a unique situation where we'd been technically integrated with this product for almost three years because we had a pool of shared customers. Like I said, 39 shared customers who used both SightPlan and SmartRent. And so, we had firsthand knowledge

of -- we knew from these customers SightPlan works better with SmartRent, SmartRent works better with SightPlan, totally complimentary.

What SightPlan focuses on, similar background to us in terms of operators that came out of the operations side of the of the industry. Terry Danner ran Riverstone, which was the second largest fee manager in the country and had a passion for trying to improve this process. They started out by working on the resident engagement and work order side. And so, some of the products that we're still offering there today is around if you need a repair done in your apartment, their work order module that we offer is a much more robust system than you're going to get from one of the incumbent property management systems.

And so, we also build software at SightPlan that we're integrating into our overall stack that helps with the -- what we're talking a little bit earlier, which is operating property with less staff. So, the idea that you would have our Answer program, the SightPlan product called Answer allows you to have a centralized staff and smartly route calls, depending on what type of call it is. So, you may have one HVAC guy who's at a property two miles away, and with an HVAC question, it would automatically route to him.

And then, the other piece of the software is around audit and inspections of assets. And so, when you think about that, it dovetails nicely with what we do. Important product if you're buying or selling a property, which as we talked about earlier, this is a very active acquisition disposition industry.

Rod Hall: So, was it just happenstance that you kept bumping into them in the market? Or did you know them before? How did the relationship evolve with SightPlan?

Lucas Haldeman: Yeah, I've known him before, know him for a long time, actually. Terry and I go back to the late '90s was when I first started working with him. And so, I was always excited, and we always had a good relationship when it was two separate companies. But we took -- we both took backing from Real Estate Technology Ventures, a venture capital fund that their entire LP base is multifamily owners. So, if you're looking to get into multifamily, if you're on the prop tech side, this is sort of the preeminent fund that you want to take money from, because they have that -- those customers are LPs. And so, we've known them through that for a long time.

And we always had on our roadmap we wanted to move into the work order and the resident engagement in Answer, and we just realized that we're not -- that we're sort of blocked by them to move into that because we have all these shared customers. And so, if I called MAA and said, hey, I've got a new great work order product, they'd say, well, we just put SightPlan in place. I don't need to talk to you about that. And so, we realized it was a great opportunity to grow it.

And then, also, the team. I mean, we're retaining the team. We now have an office in Orlando, which is great, so we have our Scottsdale headquarters and our Orlando headquarters, and that gives us bicoastal office presence. Great software development team, great product management team. And then we announced publicly that -- so Terry Danner who I've referenced a couple of times, has now taken over our combined

SmartRent and SightPlan sales team and running sales. So, it was great software, great -- and a great team.

Rod Hall: Okay. Interesting. We've just got a few minutes left. I want to see if anybody in the room here has any questions. So, anybody have a question? If you do, let us give you a mic, and then just say who you are.

Unidentified Audience Member: (indiscernible) mic.

Rod Hall: You do need a mic, because there's people listening to the stream.

Unidentified Audience Member: Could you talk a little bit about -- like, I'm guessing it ranges from one to how many different devices are in a property, and then maybe force rank the top five that you see uptake across your properties.

Lucas Haldeman: Sure, yeah. The question is around number of devices and top five that we put out, so I'll try to give a concise version of that. So really, if we're talking about in-unit hardware, the most important pieces of hardware that we typically deploy are the smart unit lock, so smart to get -- to control access; smart thermostat to control and monitor utility usage; and then leak sensors, which I brought up. Again, water does a lot of damage. So I think those are the three where there's a tremendous amount of ROI for the owner. It's easy to kind of show where you wouldn't want any property without that.

And then, after that, it comes down to typically lighting control is the next most requested thing. There's not a great ROI case there, other than residents love being able to turn their lights on and off, obviously. Most of us who live in smart homes get used to that. And so, that's for the in-unit. And then, I think as you go out to the property it's sort of really around access is the primary use case, and water damage. Water leaks, wherever there's a waterline running.

Rod Hall: Great. Any other questions? You have a question? Oh, okay. All right. I want to come back, make sure we touch on the long-term vision for the company.

Lucas Haldeman: Yeah.

Rod Hall: Because, you know, you just were talking about the SightPlan acquisition and this idea of anything that makes it more efficient to operate a multitenant building like that. Is that kind of your vision? It's not just strictly an automation thing. It's any technology that makes that easier? Is that the way you think about it? Or how would you articulate the long-term vision you've got for the company?

Lucas Haldeman: Yeah, that is how we think about it. And that was always really our founding philosophy. When we came up with the name SmartRent, we were actually talking about -- we weren't talking about IoT devices in particular, but having it be a smart experience. And we feel like the process of owning, managing, and renting an apartment is largely dysfunctional and sometimes broken because we haven't embraced technology. You know, and so really, it is around, how can we help owners operate more efficiently? And how can we make renting a more delightful experience as a resident? And so, everything we do has that lens on it. It doesn't strictly have to be hardware related. It could be just,

like we talked about your work order. So, that is the vision is that we're really looking to change the experience of operating and living in an apartment.

Rod Hall: Yeah, I've never owned or operated apartment. I have rented them.

Lucas Haldeman: Yeah.

Rod Hall: I'm wondering, what are the other pain points? Like, if you look at the other things that could be done here, what else is there to do?

Lucas Haldeman: Yeah, well, the next phase that I think you'll see us open -- there's a lot. There's more than we can go through in two --

Rod Hall: Yeah.

Lucas Haldeman: -- so I'll just point you to one which is really around -- the first step is around the self-guided tour, but around the prospect management, so actually pre-leasing and, and using that. And we largely have -- the living experience is taken care of. With SightPlan and SmartRent together, most of that product is there. And then the other hardware things that I think are going to be interesting macro trends that we'll look to embrace, it's kind of like we were talking about earlier with the self-driving cars. The other side of that is electric vehicles that we still are very short on vehicle chargers. And if you're really going to say, you know, more than 1 percent of your population has an electric car, you're going to have to solve that.

Other things we're passionate about at SmartRent is around embracing the E part of ESG and helping our customers be better stewards -- use less utilities, replace less water damaged apartments. And so, I think those are interesting trends to us. Solar battery backup, these are all sort of interesting things that are out there.

Rod Hall: There's a lot to do, then.

Lucas Haldeman: Yeah.

Rod Hall: Are there companies doing some of these things, or there's not many people doing a lot of the things you've described?

Lucas Haldeman: It's similar to what we found when we got into the IoT space is there's companies doing them, but they're very narrowly focused, and owners don't want 30 different vendors to do one smart project. And so, I think for us, there's an interesting opportunity to say, though, just like we didn't invent the smart lock, I don't have to invent a smart EV charger. But I can actually be the conduit to help getting those in and be the -- vendor fatigue is a very real thing in multifamily, and so being a competent vendor is very important to owners, and having someone you trust.

Rod Hall: Great. The last thing I'll ask you -- we've just got a few seconds left here, but, lightning round. So, acquisition of the renter's is not -- it sounds like that process is not particularly technologically automated. Is that correct? There's no lead generation or anything like that that's being done out there?

Lucas Haldeman: There's a lot, and a lot of prop tech money has flowed into that. I think it does come down to, we want to be playing in that field as well, though. So, I think there are some -- and that kind of goes back to you M&A question of, there's interesting ways we can accomplish this goal. Not everything has to be built in the workshop, necessarily.

Rod Hall: It almost sounds like you could have a lifecycle management of a renter. You know, if I rent one place, you could learn about me and what I like, and then know, I'm going to like that building over there if I move to a new city and manage all that. You know...

Lucas Haldeman: Yeah.

Rod Hall: Even I can start to see possibilities here.

Lucas Haldeman: There you go. See? I love it.

Rod Hall: Great. All right, Lucas. This is great. We're out of time.

Lucas Haldeman: All right.

Rod Hall: So, thank you very much. Good to have you.

Lucas Haldeman: Thanks for having me, Rod.

Rod Hall: Thank you for coming.

Lucas Haldeman: Yeah, thank you all.