

**Luigi Carlo De Micco**

# **HOW TO FIND AND CONVINCE INVESTORS**

**FROM PRIVATE EQUITY UP TO  
THE INITIAL PUBLIC OFFERING**

How one finances good ideas,  
innovations, companies and growth



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Books on Demand

# **How one finances good ideas, innovations, companies and growth**

**From private equity to the IPO**

## "SHIT HAPPENS"

Investors of course, make mistakes. They sometimes have bad days or other things on their mind at the wrong time. Their thoughts do not revolve around so-called "bad investments" that were considered to be too highly rated, but dwell rather on real opportunities that were completely under estimated.

I well remember a meeting a few months after the initial public offering of my IT company. The coffers were full and the company was in a motivational and creative phase and therefore at a level of intensity I had never experienced before.

Late one evening I sat, quite exhausted, in Palo Alto, in the famous Silicon Valley, where many technologies in the world have been founded and still find their origin. I spoke with executives from SAP, with the objective of making a strategic partnership in the United States more concrete. There was a café (apparently the only one in California), where the guests are still allowed to enjoy delicious cappuccinos while smoking cigars *in* front of the restaurant.

I was joined by two venture capitalists with whom I was acquainted. They spoke with increasingly enthusiastic voices of a brilliant and strategic new search engine technology that would outshine the hitherto state of the art technology. For this project, they urgently needed two million U.S. dollars to enable them to move to the next growth phase and to actively start with the marketing of their unique concept.

They actually asked me to join in as a co-investor at the same time as I was paying more attention to my cappuccino and cigar that I, on account of a guilty conscience, endeavored to enjoy as inconspicuously as possible, in order to avoid the punitive and contemptuous gaze of the radical non-smoking Californians passing by.

Apart from the search engine "Yahoo", which at that time was already a household name, there was the more successful search engine, "Alta Vista", which was later acquired by HP, as well as thousands of other smaller search engine companies who were all trying to get a piece of the cake.

On account of my not being a technician but rather more the strategist in my company back then, I was not in the position to adequately comprehend the euphoric technical explanations put forward to me by my interlocutors. Furthermore, I still had pending appointments scheduled for that evening.

So I decided to abruptly shorten the conversation with the question: "Why the hell does the world need yet another search engine?"

The young men retreated confident of victory but not without giving deeply disdainful looks at the cigar that I was attempting to hide by enclosing it in my hand. I probably now reminded them of a stick-in-the-mud traditionalist, who would gladly miss out on an opportunity.

A few years later this same company was introduced on the American Stock Exchange under the brand name of "Google" and was thereby accountable for one of the most successful IPOs in the history of information technology on the Stock Exchange.

I have subsequent to the IPO of Google, reflected on what kind of return I would have had, if I had invested my two million U.S. dollars, which corresponded to a share of about 5 percent of my then "software shop", in this once start-up company that at that time still reported very high losses. This was popularly referred to as a high "burn rate." Look at today's rating of the market leader and imagine for one moment that you possess nearly 5 percent of Google`s shares...

All that experienced investors can say at the end of the day to things like this is, "So what, shit happens!" Whoever avoids taking a risk, is, in essence, taking a bigger one.

"Our greatest glory is not in never falling but in rising every time we fall." This wisdom is attributed to Confucius.

I today see my encounter with those young men from "Google" from this perspective.

Shit happens...

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"Shit happens"

If it were so easy, then all would certainly do it this way...

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## **IF IT WERE SO EASY, THEN ALL WOULD CERTAINLY DO IT THIS WAY...**

The really good projects are those that nobody really wants to tackle for a variety of reasons: "Too complicated, too difficult. This can not be accomplished by anyone! Too expensive! Too bogged down! Can not function anyway! Wrong place! Bad timing!" These are but a few of the thousands of reasons *not* to do something.

These projects are thereby actually interesting, because nobody wants to tackle them. The dreams of a highly motivated investor are related to finding the so-called "First Mover", the entrepreneur, inventor, developer or the creator, who actually initiates something that will change the future of a technology, method or an entire industry or spanning the entire economy.

It is exactly from such ideas, discoveries and inventions, spurred by entrepreneurial individuals who care little about what others analyzingly say or write, that companies like Microsoft, Google, Hewlett Packard, Apple, Ford, General Motors, McDonalds and SAP have evolved.

One thing is however clear: None of the founders of the mentioned companies - and one could name hundreds of other companies of this nature - had an easy start and for this reason, today, we have the Microsoft, Google and McDonalds of this world. All others, who have joined in on the ideas of the "First Mover" copied them or attempted with considerable effort to improve copies, have taken a back seat.