



Stanford eCorner

Knowing When to Sell

Mark Suster, *Serial Entrepreneur*

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Video URL: <http://ecorner.stanford.edu/videos/2518/Knowing-When-to-Sell>

If an acquisition offer falls below \$100 million, it does not mean a company or its entrepreneurs are failures, says serial entrepreneur Mark Suster. He does not encourage an early sale, but he points out that not every enterprise will change the world, and there is no shame in selling a small company at the right moment. In this clip, Suster recalls turning down a \$150 million offer and his ensuing regret. He shares how this experience taught him to sell his second company on time and for the right price.



Transcript

There seems to be an ethos in Silicon Valley that if you don't build something worth \$100 million, you're a failure. I've had this conversation with so many young entrepreneurs who get their first offer for \$15, \$20, \$30 million and I do the math for them on what that's worth. I say okay, let's do the exercise on what this is going to look like if you do that \$10 million round and what this is going to look like if you try to scale something and create something big and you might be successful and you may not. I don't encourage people to sell early. I just encourage people not to be pressured by the standard Silicon Valley mantra that you're a failure if you sell as Michael Arrington called it a deep shit company. I know that Dave McClure noted that by his standard, his actually was a deep shit company. I assure you he'll be building a very nice house wherever he chooses to live next. I learned this the hard way. I started a company in 1999 based in London called BuildOnline and at the time, we became the poster child for startup companies in Europe or at least one of the top 10 front cover of the top venture capital magazine in Europe. We were front cover of the business section of the Financial Times.

I got a dot-matrix in Wall Street Journal. I was invited to the private wine cellars of Bernard Arnault to drink ancient champagne with the CEOs of 40 other companies called Sony, Dell and other companies like that. I was a really, really big deal until I wasn't. That period lasted about six months. In that period, we turned down an offer to be acquired for \$150 million. We thought \$150 million acquisition between three friends was chump change because I had Goldman Sachs as an investor and they were telling us we were going to IPO, and the IPO would be within a year and it would be a billion dollars. It sounds crazy now if you weren't part of those times. For those of us with less hair or gray hair, we know we lived through that. But we looked at Chemdex which became Vestro that was trading for \$8 billion on \$2 million in revenue, so a billion dollars seemed achievable and we gave out the spreadsheets to our employees joining, telling them how much money 0.25% was worth of the billion dollars. You do the math.

We were all proud of ourselves until the world changed. My second company we built the product; in total we worked on it for about a year and a half. I had an offer to sell before I raised venture capital. When I sold my first company, I owned 10% of the company. When I sold my second company, I owned 73% of the company. Those were different outcomes for me. So I'm not saying there's a right answer for anybody. For each of you, you have to choose whether you pursue your passions, whether you really believe it's a big idea, but I like people to understand the framework. I lived in Palo Alto. My second company was based here and I was under so much pressure not to sell but luckily, second time around, I wasn't stupid.