

URL: <https://ecorner.stanford.edu/clips/breakthrough-infrastructure-requires-patient-capital/>

Virgin Hyperloop co-founder Josh Giegel talks about the difficulties of raising capital for companies building large infrastructure projects. The key, he explains, is finding patient and deep-pocketed investors who are willing to wait a decade or even longer for potentially outsized returns.



Transcript

- I think from an investor side of the fence, 00:00:04,620 one of the things that was really challenging of what we were doing is that we are building a big physical product, something that really only nation states or large organizations have ever done, think Japanese or Chinese high speed rail, think about Siemens, you know, building something, this is venture capital money they've got.. They're not patient.. They want faster timelines, they want larger deployments.. You could kind of look at the economics and it's a tough economic problem.. We had to reinvent.. I mean, we reinvented the technology probably four or five times to get there.. We had to continually reinvent the business model because the economics were good, probably 10, 15, 20 times, to get to something that provided economic returns.. And the part that was the most difficult that we had is, my money as an investor, is fungible, I can put in a Hyperloop, I could put it in a software company, I could put it in a stock market or whatever.. Why should I take your bet? That's going to be 3, 4, 5, 6 years with potentially really large returns, when I could take two or three other bets and potentially have better returns in a shorter period of time, risk adjusted.. And that's a really tough place to be, is that like, yeah, we're not a software company..

In a way, you almost felt like you're apologizing for the type of company that you were, it's like we're a big hardware company.. You look at SpaceX, you look at Tesla, you look at some of these companies really taking 10, 15, 20 years to get to where they are today.. Know we are trying to go from a garage to grandmas in 10 years (woman laughs) - And that's challenging, 00:01:42,580 but that's still farther than just about 95% of the investment opportunities that are out there, and so that's hard is like, how do you get people on board with that? - I am very, very, happy you talked about 00:01:54,990 just the long-term patient capital that is needed to build this sort of breakthrough tech infrastructure.. Having spent a lot of time in my life thinking about this, the types of investors have to be right, right? 'Cause this is not a sure thing.. It's extremely long-term, right? It's like you got to put your money in and lots of it, possibly more than a decade, right, to see any returns.. But yet if it works, it's enormous and it's very radical in its nature.. It can't be for venture capitalists who want incremental returns.. It's not a sure thing and I'm glad to hear that you have investors who can think that way 'cause I feel like those types of investors are far and few between, so taking the moonshot, different sort of mindset.. - For every 10 investors that exists, actually, 00:02:48,030 maybe every hundred investors, there might be two or three that have the patients in the pocket books willing to do it this type of time...