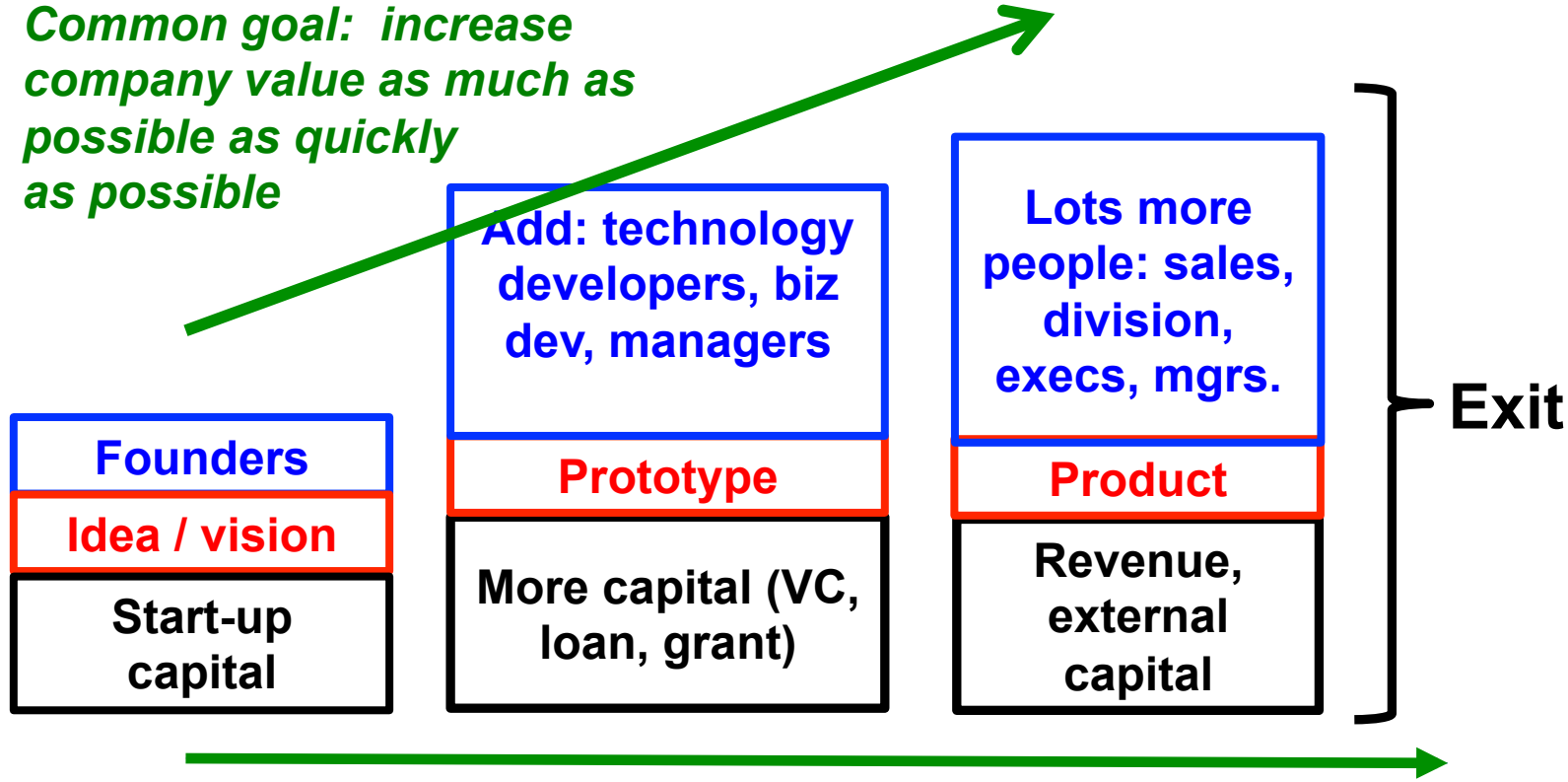


# Silicon Valley patterns of startup company growth & exit

*Common goal: increase company value as much as possible as quickly as possible*



*Gradual ownership shift from founders to investors*

## The model at-a-glance:

- After friends-and-family, angel and then VC investment
  - Angels take 10 – 25%
  - VCs eventually take 1/3 – 1/2 of company
  - By exit, founders may have only 10 – 25% of stock
- Investors want potential for aggressive growth: ~ 100% / year
- From earliest stage, founders and investors (and employees with options) are focused on exit
  - 90% of successful exits are by acquisition
  - 50 – 60 IPOs per year by VC-backed startups in all U.S.

# Example of “the Silicon Valley model”: Square

2009 - 10	Founded 2009 by Jack Dorsey, Tristan O’Tierney, Jim McElvey	Self-funded, Angel stages = ? Series A 11/2009 \$10 M	Service began 5/2010
		Series B 1/2011 \$27.5 M	
2011	Approx. 150 employees (2011)	Series C 6/2011 and 12/2011 \$103 M	~\$1 billion payments processed (2011) [probably \$10M income]
2012 - 13	Approx. 400 employees (9/2012)	Series D 9/ 2012 \$200 M	Approx. \$8 billion of payments processed (2012 total, est.)
2014	Est. # employees 1,000 in 2014	Debt financing 4/2014 \$100M Series E 10/2014 \$150M	Approx. \$30 billion of payments > declared ~ \$900M revenue
2015	IPO 11/2015 @ lower valuation than expected: raised \$243M @ \$9/share (market cap of ~ \$3 billion, rather than last VC valuation of \$6 billion)		

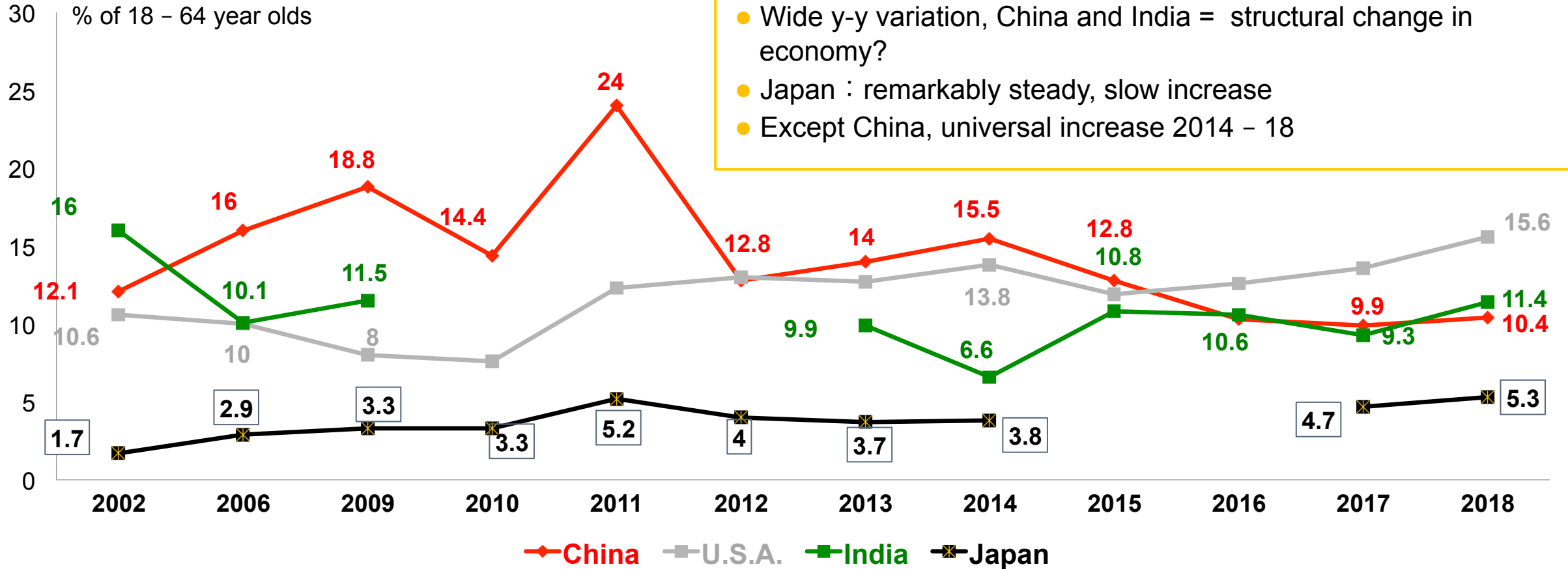
# Appendix



# GEM Survey: “TEA rate” in selected countries

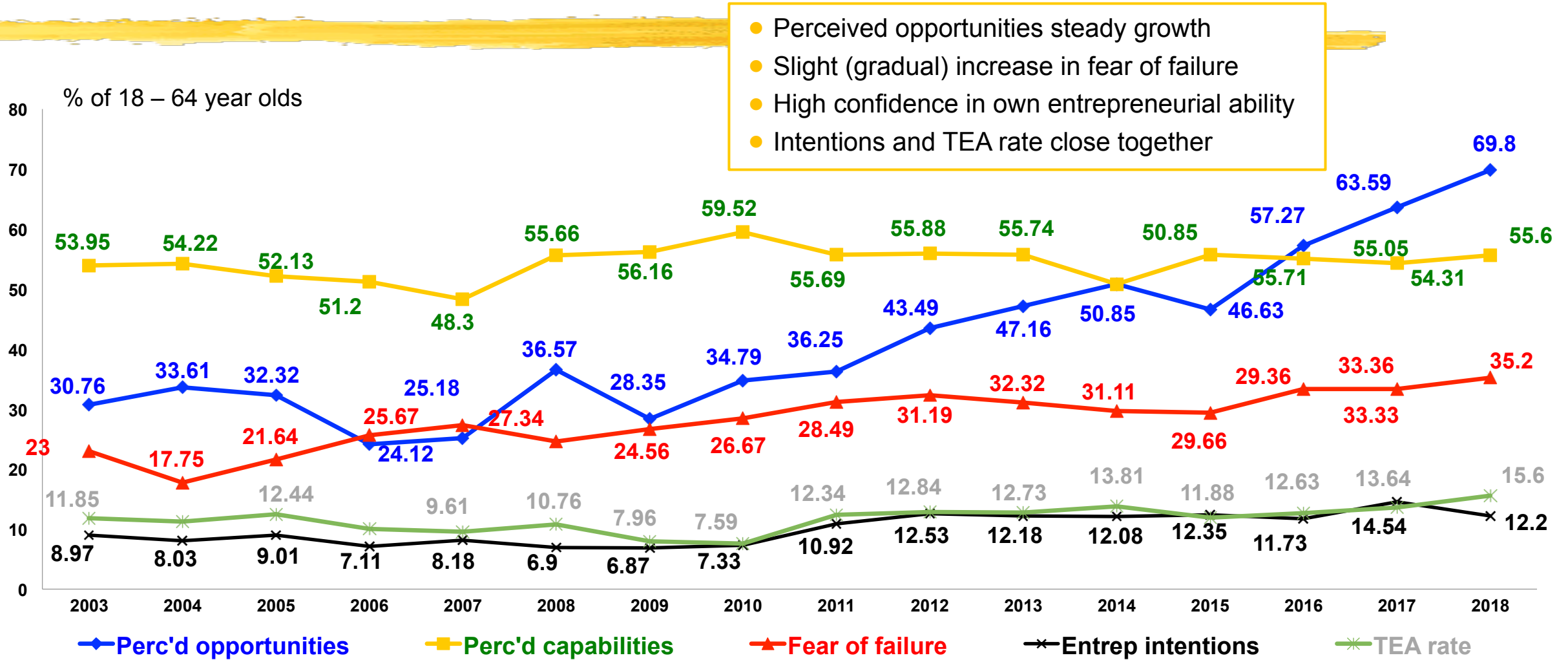
## Notes by RD:

- “TEA rate” = “total early-stage entrepreneurship activity”
- Wide y-y variation, China and India = structural change in economy?
- Japan : remarkably steady, slow increase
- Except China, universal increase 2014 - 18



Data from <http://www.gemconsortium.org/data>, accessed 2019.04.08

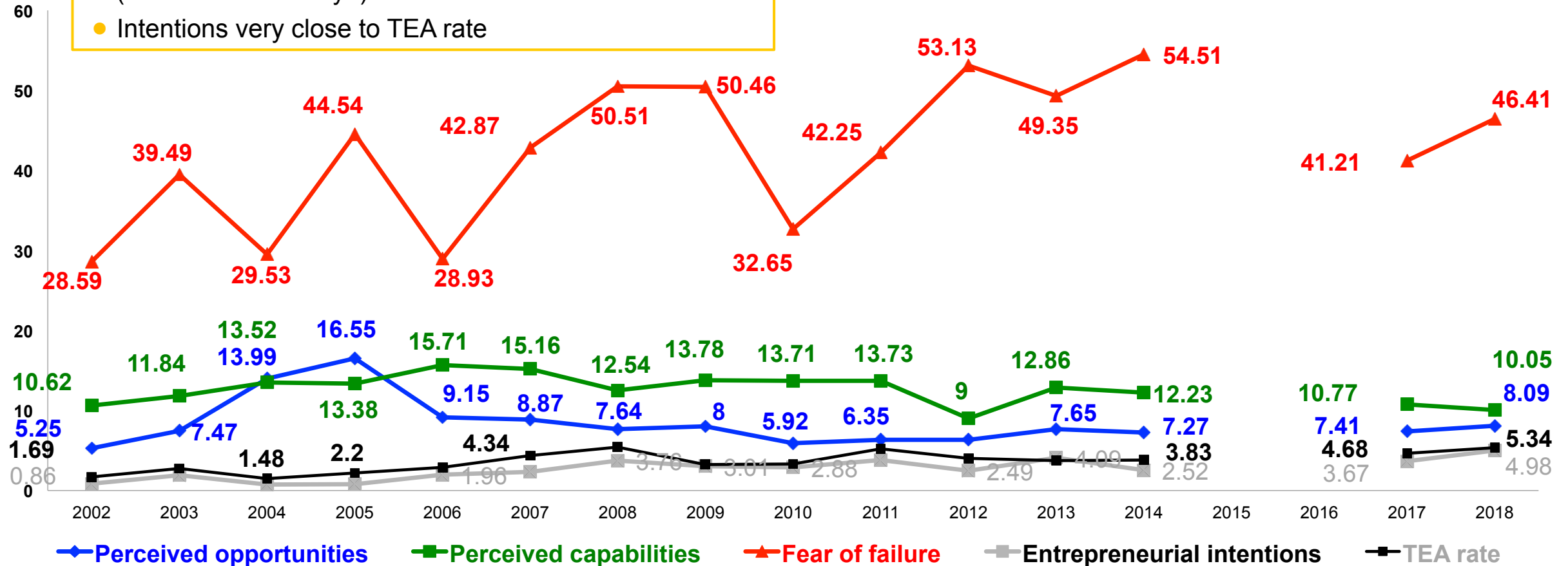
# Attitudes among non-entrepreneurs in U.S.



Data from <http://www.gemconsortium.org/data>, accessed 2019.04.08

# Attitudes among non-entrepreneurs (Japan)

- High fear-of-failure, but year-year variation
- Very low perception of opportunities for entrepreneurs
- Self-confidence in entrepreneurial abilities low (but cultural humility?)
- Intentions very close to TEA rate



Data from <http://www.gemconsortium.org/data>, accessed 2019.04.08