



# The US Scene on Venture Capital

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## Outline

- The odds of getting funded, acquired or going public
- The characteristics of a successful entrepreneur
- The time it takes for a VC in the US to go public
- Who are the owners when a startup goes public?
- The challenges Egyptian startups face

## What are the odds that a VC gets: funded, acquired or goes public?

- The average VC funds 6 out of 1,000 business plans on an annual basis (i.e. less than 1%)
- Approx. 60% of funded high-tech startups go bankrupt
- Approx. 30% get acquired by other companies (i.e. they never hit it big)
- Less than 10% go public
- Of every 1 million ideas of a high-tech company, six lead to successful public companies

## Where do Ideas Come From?

- Customers
  - Listen to your customers
- People who work with them
  - 71% of entrepreneurs had their idea when working for a previous employer

## What Characteristics should a Successful Entrepreneur Have?

- Persistent
  - The Palm Pilot's first product was the "Zoomer" that failed because:
    - It was too big, too slow, too expensive & lousy handwriting recognition
    - They learned what it needed to be: small (pocket size), fast, cheap \$300, simple & has Graffiti
    - The Palm Pilot grabbed 51% of the market in Year 1
- Optimism: ability to overcome adversity

## How Much Capital do Most Startups Need?

- Typically \$50,000-\$200,000
  - Source is savings, credit cards, friends, family and/or angel investors
- Eventually most companies will need \$1 million or more
  - Source of funding of VC in the US
    - In 1979 VC funding was \$179 million
    - In 1986 VC funding was \$24 billion
    - In 2005 VC funding was \$100 billion

## Who are the Owners When a Startup Goes Public in the US?

- Founders usually have 2 – 10%
- CEO has 3% (higher if experienced)
- Other employees share approx. 20%
- Investors own in the range of 50% - 70%

## How Long it Takes for a VC in the US to go Public

- It is everyone's desire to go public (IPO)
  - In 1980 it took 9.4 years to go public
  - In 1999 it took 4.1 years to go public
- Sell to a large company such as Microsoft, Lucent, Intel or Cisco

## Challenges for Business Startups in Egypt

- Entrepreneurs can expect to go through **10** steps to launch a business over **34** days on average, at a cost equal to **105%** of gross national income per capita.
- It takes **7** steps and **193** days to register property. The cost is **6.1%** of overall property value.

Source: World Bank 2005