

Waiting for Google

from Frank Peters

It's the exit strategy for too many entrepreneurs: "Google's a target exit partner." As an angel investor I've heard this many times, and, who knows? It happens occasionally, so like a rat in a maze, the entrepreneur continues to search for this piece of cheese even though statistically it's rare.



In the past week we've seen Google announce a multi-billion dollar acquisition of Motorola Mobility; if you had their cash you'd be elephant hunting, too. Like large VC funds, they have too much money to be looking at sub-100 million dollar deals, let alone sub-20. Meanwhile entrepreneurs dream.

My latest interview with Scotland's Nelson Gray shows that this "Waiting for Godot" syndrome is a global phenomenon. At least in Scotland, angels like Gray can dispute this exit fantasy by simply asking: just how many Scottish startups has Google acquired to date. Answer, none; it's more likely to be struck by lightning. Other guests confirm this; Kevin Covert of Covert & Company described why angel groups see so few exits: "acquirers want to do deals that move the needle". Little deals don't do that for big companies; little deals might do that for smaller companies.

The whole concept of determining the exit before making the investment is a relatively new concept. Basil Peters, no relation, and his ground breaking book 'Early Exits was like a slap in the face. Or was it more like the kiss that broke the spell? Either way, angel investors had to wake up to the fact that most deals exit for relatively small amounts, like \$15 to \$20million. So the home run is more rare, but the opportunity to grow a company quickly and get a nice return, that possibility exists and it's worth focusing on from the very beginning, before you write a check. Sounds so reasonable, right? But this was an earth shattering insight for many angel investors. Speaking just for myself, I would make a typical angel-sized investment then sit back and wait for venture capital to come along, hopefully just before the company ran out of cash, to make the next raise and take the deal away from us. As I've heard from so many VCs, "hope is not a strategy," yet in angel circles this was common practice. It's only after a decade of dismal returns in our early-stage portfolios are we forced to reconsider our approach.

Advice to angel investors: understand who will acquire your darling startup before you write that first check, and sorry, Google isn't a realistic target. Same for HP.

Frank Peters is an angel investor, chairman emeritus of the Tech Coast Angels, and host of the [Frank Peters Show](#), a podcast dedicated to angel investing and venture capital.

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