



Q&A: 3i's Sandy Miller

The late-stage investment guru says the venture capital market is alive and well.

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With more than a quarter-century of experience in technology and finance, Sandy Miller heads up the late-stage division of the venture capital arm of private equity giant 3i Group.

The venture capital arm of the London-based company accounts for 17 percent of its investment portfolio. Mr. Miller joined 3i in 2001, after co-founding Thomas Weisel Partners and running the technology and healthcare investment banking group at Merrill Lynch's San Francisco office.

He currently sits on the boards of broadband telephone company Vonage and Stanford University's Graduate School of Business, of which he is a graduate.

RedHerring.com had a few questions for Mr. Miller. Edited excerpts of the discussion follow:

Q: How's business?

A: There's a very healthy balance in the business right now. Valuations are tougher than they were. The terms imposed by entrepreneurs have been pretty tough. And venture capitalists haven't cut them any breaks either. When you have both sides complaining, but deals still getting done, that's when things are pretty healthy. It's one of the best times ever for venture. There's plenty of deals to do and plenty of good ideas.

Q: How about the exit market?

A: A few years ago, we made investments without any idea of how we would get liquidity. The requirements for going public are very clear: growing, profitable companies do well in the public market. People have a sense it's really hard to go public, but it's not. There just aren't too many companies sitting in venture portfolios that meet the metrics the public investor is looking for.

Venture investors need to be patient and give their investments time to grow.

I don't see the market requirements for going public dropping at all and the cost of private money is very high. Most companies, even the successful ones, will get liquidity through the sale of the company. It's always been somewhat that way, but the ratios have tilted. The take-out strategy these days is more likely to be an M&A transaction.

Q: What's your globalization strategy?

A: Venture is a business where you have to know the local geography. That doesn't mean the rest of the world isn't important. Technology is the most global business. You have to think about a strategy from day one.

Entrepreneurs really like our presence in Europe. A typical Silicon Valley venture firm may have one office on Sand Hill Road. We have 27 global offices and have made thousands of investments. That means more access to strategic partners and potential customers. When it's time to be acquired, we may be able to give them some visibility.

Q: How are the executive teams in which you've invested coping with the need to be global?

A: I'm not sure it's a secret. A lot of frequent-flyer miles for the CEO and other executives, I suppose. To get revenue traction, or to keep costs low, they really need to go offshore. The big telecommunications companies in the U.S., for example, had several years where they were literally buying nothing.

Q: Is Silicon Valley still relevant? Do companies still get value from being here?

A: Sure. There's a very good pool of serial entrepreneurs here and a unique infrastructure. There's a risk-tolerance mentality too. I don't require that someone have failed before they run one of my companies, but some VCs do. Even then, what does "being here" mean? Where is a global company located? Silicon Valley isn't succeeding because everybody does everything here.