

For Fred Wilson, a bird in the hand is worth \$1B

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When Twitter completes its initial public offering this year or next, there will be many winners cashing in their chips. But for Union Square Ventures' Fred Wilson, who has championed Twitter since 2007, the IPO is more than a great return on a bet. It's a crowning moment in his second act.

The 52-year-old venture capitalist was a leading player in New York's dot-com-era boom—and bust. More than a decade later, he's now the face of New York's tech revival, appearing at conferences and publishing daily musings on his must-read blog.

The IPO plans put an added shine on Union Square's reputation as one of the top VC firms in the country—a stature Mr. Wilson has worked diligently to earn since co-founding the company in 2003. Back then, New York was a relative backwater in tech. Silicon Valley VCs were the unquestioned leaders, and Mr. Wilson had only recently worked through failures—most memorably Kozmo.com—that effectively brought down his previous firm, Flatiron Partners.

Now he is on a roll. Union Square's early investment in the transformative communications platform could translate to a more than \$1 billion payout, according to The New York Times. Earlier this year, two other Union Square-backed companies, Indeed.com and Tumblr, made billion-dollar exits, delivering sizable returns, sources said.

"Most people think [Union Square] is just the best New York firm," said Kevin Ryan, founder of Gilt and co-founder of MongoDB. "But the numbers in their funds will show that they're possibly the best in the country."

Union Square does not divulge its numbers, and Mr. Wilson declined to comment, writing in an email (which he later discussed on his blog) that "the people that we invest in" are a more important part of the firm's story than he is. But independent research backs Mr. Ryan's claim—with the caveat that Union Square remains a relatively small player, its funds measured in hundreds of millions, not billions.

Private-equity research firm **Preqin**, in a 2013 report, showed an internal rate of return of 34% for Union Square's 2008 fund—well above the median figure of 8% for funds in the \$100 million-plus category for that year, according to senior analyst Nicholas Jelfs. Only Boston's Spark Capital did better.

Tech-industry insiders cite many factors in Union Square's success, including team members like co-founder Brad Burnham, a former partner in AT&T Ventures, and MIT Ph.D. Albert Wenger. The firm has also stuck to its knitting, investing in early-stage Web services companies and believing that large networks of engaged users can change markets—and prove valuable. Profitable business models can come later.

But the biggest factor appears to be Mr. Wilson himself—or, more precisely, his blog, A VC. He has been writing daily since 2003 and credits it with helping him "think, articulate and question."

"I toiled in the VC business for close to twenty years before I hit my stride and the reason I found my stride was my adoption of blogging," he wrote last week.

He also gets cranky, gets over being cranky, tests out ideas, sprinkles observations from decades of experience and comes off as someone with the inside track on a complex world.

Readers glimpse life in a New York family in which everyone is engaged with technology. He shares his love for New York, his taste in phones (he prefers Android, especially the Samsung Galaxy S4), his recent disappointment with Apple (he wanted a cheaper iPhone), how he listens to music (every possible way, including SoundCloud and Exfm), and his reading—most recently Steve Jobs, on his Kindle Fire, Nexus 7 tablet and HTC One phone.

The tech world eats it up.

"It's kind of a trade magazine for entrepreneurs," said Dwight Merriman, co-founder of MongoDB. It also makes Mr. Wilson a first stop for cutting-edge startups.

"Fred is the best blogger in the VC business," said Scott Kurnit, founder of About.com and Keep Holdings, and an investor in Union Square's current fund. "It makes entrepreneurs want to work with him. So he gets to see deals early."

But however good Union Square's record has been, the knock on New York remains that it does not build big, important companies. The giants of the Internet—Google, Facebook, Amazon—are all on the West Coast, as are the -giants of venture capital, like Kleiner Perkins and Sequoia Capital.

Personally involved

And some of Union Square's successful investments may not produce lasting results. Tumblr had yet to prove itself as a business when Yahoo bought the blogging platform in May. Foursquare, another of its high-profile companies, remains a question mark; to secure financing in April, it took on convertible debt rather than raise funds while its valuation was under pressure.

But Union Square also has a hand in what may be the next wave of successful New York startups: Etsy, Kickstarter and MongoDB. And by staying small, with \$200 million funds—and backup from its later-stage Opportunity Fund to keep it competitive—Union Square, whose office is actually in the Flatiron district, has stayed focused.

Its targeted approach may be more in step with the times, experts say. As startup costs drop and big exits and massive IPOs remain the exception, the firm's small bets are more in line with the likely payouts.

"Fred was one of the first VCs to recognize that what we thought of as the 'traditional venture-capital-in-the-20th-century model' needed to change and adapt to the new economic reality," said Basil Peters, author of *Early Exits*, who studies the investment industry.

Staying small allows Union Square to work closely with its startups. "They're not only looking at the numbers, they look at the people," said Peter Weijmarshausen, chief executive of Queens-based 3-D printing company Shapeways, referring to the interest Union Square takes in the firms it backs. "If I email them, I get a very prompt response."