

A low-profile investor who bet on Snowflake eight years ago is up more than \$12 billion after IPO pop

Ari Levy

8-10 minutes

Sutter Hill Ventures Managing Director Mike Speiser speaks onstage at TechCrunch Disrupt at Pier 48 on September 9, 2014 in San Francisco, California.

Steve Jennings | Getty Images

Two months after [Facebook's](#) massive [IPO](#) in 2012, venture capitalist Mike Speiser was a few miles away from the social networking company, incubating a software start-up from his nondescript office near a movie theater in Palo Alto, California.

The company he eventually launched, [Snowflake](#), debuted on the New York Stock Exchange on Wednesday and ended the day with a [market cap](#) north of \$70 billion, delivering Speiser the kind of return reminiscent of Facebook's IPO eight years ago.

Sutter Hill Ventures, where Speiser has served as managing director since 2008, owns [20.3%](#) of Snowflake's outstanding shares, including some that will be distributed to affiliates. Altogether, the firm is sitting on a stake worth about \$12.6 billion from its total investment of less than \$200 million.

Those gains aren't locked in yet. The stock jumped 134% on Wednesday to close at \$253.93, but the price could swing wildly in the coming months, depending on momentum, company performance, and the broader economy and market, while Speiser is still locked up for at least a few more months.

Snowflake banners decorate the New York Stock Exchange to market the debut of the software company's shares in New York on Sept. 16, 2020.

Source: Snowflake

But for now, Sutter Hill's return is even greater than the roughly \$7.7 billion [Accel](#) had in Facebook stock and proceeds after the IPO, and a historic haul for an early stage firm that rarely gets mentioned alongside Silicon Valley's big names like Sequoia (also a Snowflake investor), Benchmark, Greylock Partners and Andreessen Horowitz.

Speiser, 49, tends to avoid the spotlight. He has just a few thousand [Twitter](#) followers and rarely posts. His firm has no website — just a [landing page](#) with the initials SHV and an address. Nor will you find Speiser blogging with advice on how to scale a business or navigating the tech podcast circuit.

"He is a very driven individual, but he gets his success vicariously through these companies he helps create," said Scott Dietzen, the former CEO of [Pure Storage](#), which Speiser incubated in 2009 out of the same office that would later spawn Snowflake. "He gives the entrepreneurs who are ultimately doing the work everyday the credit for their success."

Other executives and investors are getting plenty rich on the Snowflake offering as well:

- **Altimeter Capital** owns about 15% of the stock, worth over \$9.2 billion
- **Iconiq** owns 14% valued at \$8.6 billion
- **Redpoint** controls 9% for a stake of \$5.6 billion
- **Sequoia** has 8.6% at about \$5.2 billion.
- CEO [Frank Sloatman's](#) 5.9% stake is worth \$3.9 billion, just 17 months after joining the company.
- Finance chief **Mike Scarpelli**, who followed Sloatman to Snowflake from ServiceNow, owns 1.9% worth \$1.2 billion.

[Berkshire Hathaway](#) and [Salesforce](#) each invested at the IPO price, making close to \$1 billion and \$280 million in one day, respectively. Salesforce's total return is higher than that, considering it also invested in February at a [\\$12.4 billion valuation](#). Former CEO Bob Muglia has about a \$1 billion stake, even after selling half his shares to Berkshire for \$485 million.

In an email earlier this week, Speiser told CNBC that he rarely meets with the media and only does so "at the request of portfolio companies." He did make an appearance on "[Halftime Report](#)" ahead of the debut Wednesday morning. When asked about the premarket excitement for the stock, as investors kept pushing the opening bids higher, Speiser redirected the conversation to talk about the technology.

"We're more focused on building a great product and serving customers," said Speiser, who had executive roles at Yahoo! and Veritas before becoming an investor. "I'm excited to see that the world is starting to understand what an incredible product this team has built."

Unlike traditional venture firms, which raise funds every few years and aim to make a multiple of that money over a decade, Sutter Hill has what's called an evergreen fund that adds incremental capital over time. The firm was founded in 1962 by Paul Wythes and Bill Draper, father of famed venture capitalist Tim Draper.

It's a busy week for Sutter Hill, even beyond Snowflake. [Sumo Logic](#), another one of Speiser's investments, will hit the public markets as part of a [huge wave](#) of tech IPOs. Speiser resigned from the Sumo Logic board last year.

The incubation strategy

Speiser's two biggest venture wins have come in similar fashion.

To get Pure off the ground, he introduced the two inventors and put in seed funding. He made many of the early hires, including for salespeople, and Dietzen said he was instrumental in coaching him as a first-time CEO.

At Snowflake, Speiser was the initial CEO and CFO, holding both roles until 2014, while working side by side with the founding engineers to design a database for the cloud era. To launch the company, he joined with ex-Oracle engineers Benoit Dageville and Thierry Cruanes, who were well versed in legacy databases, along with entrepreneur Marcin Zukowski.

"It all started with the founders, who are incredibly humble, talented guys," Speiser told "Halftime Report." He credited Doug Mohr, a partner at Sutter Hill, for introducing him to the founders, and Chad Peets, another partner, with helping Chief Revenue Officer Chris Degnan hire 500 people.

Last year, Speiser recruited former [ServiceNow](#) CEO Sloatman, who he knew from the Pure board, to run the company, succeeding Muglia, a former Microsoft executive. Speiser was by Sloatman's side when the new CEO introduced himself to Snowflake employees.

Snowflake execs from left to right: co-founder Benoit Dageville, CEO Frank Sloatman, co-founder Thierry Cruanes and CFO Mike Scarpelli

Source: Snowflake

Getting in at the incubation stage carries maximum risk because most start-ups fail. It also means that investors who stick with the company and continue to invest in follow-on rounds tend to have the biggest ownership when it matters most.

At the time of [Pure's IPO](#) in 2015, Sutter Hill owned 27% of the stock, valued at about \$700 million. The firm has a slightly smaller percentage holding in Snowflake but one that's worth many times more.

Altimeter's Brad Gerstner has amassed the second-biggest stake by leading a \$45 million round in 2015 and continuing to invest from there. Gerstner told CNBC on Wednesday that he first asked Speiser about the company seven years ago, before Snowflake had a product on the market or a dime in revenue. He was inquiring about the size of the potential prize if everything goes right.

"He looks at me without missing a beat and says, 'Brad, it's the biggest prize in software,'" Gerstner recalled. "The cloud fundamentally rearchitects where all data sits, how it's processed and how we glean insights."

Gerstner said there is more than \$1 trillion in enterprise value in the “offline, pre-cloud world,” controlled by [Oracle](#), [Microsoft](#), [IBM](#) and others, and that data and the way to use it is becoming more valuable by the day. Snowflake, which ranked 40th on CNBC’s 2020 [Disruptor 50 List](#), is in prime position.

“There’s a lot of excitement today, there’s going to be a lot of gyrations,” Gerstner said, referring to the IPO pop. “Markets get ahead of themselves. They ultimately find equilibrium. Fundamentally, Snowflake is growing and valuable because it sits at the heart of these two megatrends.”

Correction: Sutter Hill’s stake is over \$12 billion, rather than over \$11 billion as previously stated in the headline and text. The prospectus shows a drop in ownership, but that’s because it reflects shares that will be distributed to affiliates, not shares sold in the IPO.

— CNBC’s Jordan Novet contributed to this report.

WATCH: [CNBC’s full interview with Frank Sloatman](#)