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No bubble or overvaluation yet, says tech investor

Photo: BT

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SINGAPORE - The world is not in the throes of another tech bubble, although an overvaluation of tech companies is slowly edging in, says Tim Draper, the California-based investor whose venture capital firm DFJ has backed billion-dollar ventures such as Skype, Twitter and Baidu.

"This isn't really a bubble, or a cycle," Mr Draper told BT at the DBS' Bay Area Series Talk on Thursday, referring to the recent sky-high valuations of global tech companies and heightened activity in the startup space.

Apple, for instance, was recently reported to be worth some US$700 billion (S$948 billion), while Snapchat and Tumblr - both non-revenue generating companies - have been ascribed valuations of over US$1 billion each.

"When we're in one, taxi drivers will be doing day trading; now that's a bubble," he added, laughing.

According to the man who also founded Draper University of Heroes (a Silicon Valley boarding school for aspiring tech moguls), now is a time when individual investors are valuing "interesting" tech companies - fairly.

"I don't believe they're overvaluing very many of them yet . . . there will be a day when they will start really overvaluing them," he noted.

But at least now, added Mr Draper, the world is recognising that there is some real value in tech companies, most of which have been built in the past decade since the last dotcom bubble around the early 2000s.

"Then, the only investors of startups were venture capitalists. Now, more people are looking at these companies and taking more chances with their money (while) public investors are coming by very often, bringing up the value of these companies, and pushing entrepreneurship and technology along faster," he said.

In the meantime, many big corporations are also getting into the entrepreneurial spirit, launching startup incubation programmes of their own, Mr Draper acknowledged.

For these to see results, he reckons that startup teams of five work best, and that an incubation period of at least three years is required: to develop the product, engage their customers and properly build a company.

Anything shorter than three years, he said, is almost destined to fail. "It may even take five years before you know if you've got a winner or loser."

Big corporations should therefore take a longer-term approach, he urged, and partner venture capitalists whose network will allow them access to "a sea of all the companies that have come to disrupt the industry", not just the obvious ones already on their radar.

Otherwise, he said, such incubation programmes suffer the "constraints of being internal", and corporations will take a long time to adapt to new technologies or drive disruptive change on their own.

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