

PayPal co-founder Max Levchin on a quest to outdo his own success

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For Max Levchin, the once-shy and at times off-putting whiz kid who co-founded PayPal, his early success has become his biggest burden.

The entrepreneur and investor says he will rest only when he has another startup that matches the success of PayPal, a company that spawned some of Silicon Valley's most notable entrepreneurs and investors and reportedly netted him about \$34 million when it was sold to eBay in 2002 for \$1.5 billion.

"I remember him expressing explicitly that after PayPal the only thing he could do was to create a bigger success, and that was setting the bar really high," said Ali Partovi, a well-known Silicon Valley investor and founder of LinkExchange, a now-defunct startup that Levchin joined in 1998. "And I remember thinking how difficult that would be, when your first company is as successful as PayPal."

Levchin, 39, is part of a Silicon Valley breed who struck it rich in the early days of the Internet. Not inclined to retire young and live off their newfound wealth, they have thrown themselves back into startups to try to surpass what they've already accomplished. A handful have succeeded, including fellow PayPal co-founder Elon Musk, who went on to start Tesla and SpaceX, and Reid Hoffman, an early PayPal executive who later founded LinkedIn.

Levchin has come close, but hasn't quite reached it for the second time, although his success since PayPal would be the envy of almost anyone

else in Silicon Valley. Since PayPal, Levchin has helped start social networking and review site Yelp, now a profitable company worth \$5.4 billion, and Slide, a social gaming site that in 2010 was bought by Google for around \$200 million, though it was later shut down.

More recently, he launched Affirm, an online lending platform that offers personalized financing for consumers, and Glow, a startup that creates smartphone apps to give women personalized data and advice on health, fertility and getting pregnant. Levchin announced in June that Affirm had raised \$45 million in its first venture capital funding round, and last month Glow launched its second app, this one aimed at helping soon-to-be moms track their pregnancies.

Some valley investors say Glow is a bold effort at shaking up the health care industry, giving couples a better shot at having children naturally and saving thousands of dollars in fertilization treatments. But it's Affirm that has the best shot of reaching PayPal-like success. Affirm is a logical extension of PayPal - using the Internet, big data and highly complex security systems to move money around - and it has the potential to disrupt legacy financial institutions and deliver to consumers a buying power they didn't have before.

"I'm not trying to correct the wrongs of the past," Levchin said. "But the underlying structure of the finance industry is still decrepit. There's not a lot of innovation there."

Affirm offers consumers, particularly young people without much cash or solid credit, financing to make large purchases - such as a computer or sofa - but allows them to delay paying for a few months or sign up for a monthly payment plan, avoiding credit card debt.

"Affirm in some ways is sort of PayPal 2.0," said Scott Banister, an angel investor in San Francisco and college friend and former business

partner of Levchin's. "It's Max getting back into financial services with everything he learned from PayPal. You will definitely see big things."

Since he arrived in Silicon Valley 16 years ago in a Penske moving truck from Illinois, Levchin has grown from a quiet and peculiar kid barely of drinking age into a tech tycoon whose net worth is about \$300 million. In addition to starting four companies since PayPal, he has invested in dozens more and created a venture fund. He's no longer the young guy who kept a sleeping bag under his desk at PayPal, but a husband, father of two children, ages 2 and 4, and an avid cyclist who spends his Saturdays pedaling through the Bay Area.

"He's really young and he'll do a lot more," said John Malloy, a venture capitalist and PayPal's first investor. "He is unrelenting in his drive to do things. It's way too early to know his mark."

But he may always be known for his role in PayPal. The San Jose company was founded by a group of now-famous entrepreneurs - Peter Thiel, Luke Nosek, Musk, Levchin and others - but tech leaders say it was Levchin's engineering talent that built the first large-scale online payments platforms and the anti-fraud software to make it successful.

"Max is the core of PayPal," said Banister, who was often a sounding board for Levchin as he brainstormed PayPal.

Levchin grew up in Kiev, Ukraine, then part of the Soviet Union, in a community of writers and intellectuals, where about 80 authors lived and worked. But the bliss of childhood came to a screeching halt when the country began crumbling, and Levchin and his family, who are Jewish, fled the growing anti-Semitism for Chicago, where they arrived when he was 16. He would go on to get a bachelor's in computer science from the University of Illinois Urbana-Champaign, where he juggled classes with building computers from spare parts and starting Internet companies

with Banister that had a blip of success.

Despite the wealth and prestige he's accumulated over the last two decades, Levchin shows little interest in power, fame or even buying fancy things, say his friends and former colleagues.

"He experiences the world in a very different way," said Jared Fliesler, a venture capitalist with Matrix Partners and former head of product at Slide. "He looks at the world, takes it apart, puts it back together, analyzes each piece, decides which pieces he likes and which he doesn't, and has a few explosions in the process. That is the definition of a mad scientist."

Levchin recently took the role of CEO at Affirm, delving into the day-to-day grind of making a startup tick and complaining about the cramped office.

"I actually like running a company," he said. "I really enjoy the sausage-making process, where I yell at someone for missing their deadline. I don't like yelling at someone for anything, but the process where you tighten the screws, where you push the train forward and make the train run on time, I like that part."

But he at times has turned abrasive in his position of power, and his success has come at the cost of crumbling friendships.

"I grew apart from a lot of people with whom I was close - friends in high school and college - because they worked for me at PayPal," Levchin said. "Anytime you have to line people up against the wall and read them the riot act about being wrong, being late, being not sufficiently responsible, there is a moment when you have to give someone the full-court press and let them know that this can never happen again. The relationship changes, and at first it's kind of

imperceptible, but it takes years to put it back together.

"I don't think I've lost any of these friends," he said. "But it's different. To them, I'm now just the guy they worked for at PayPal."

Max Levchin

Current titles: Founder and CEO Affirm and HVF; Co-founder and Chairman of the board at Glow, Chairman of the board at Yelp; Independent Director at Yahoo and Evernote

Previous companies: Co-founder and former CTO of PayPal, Founder and former CEO of Slide

Residence: San Francisco

Hometown: Kiev, Ukraine

Age: 39

Education: Bachelor's in computer science from the University of Illinois at Urbana-Champaign

Family: wife, Nellie, two children, age 2 and 4

Hobbies: road cycling and doing "a bunch of crazy stuff with my kids"

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