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Genscape founders on the rise and sale of their company

By [LISA HORNUNG](#) | September 6, 2018 9:00 am



From left, Sterling Lapinski and Sean O'Leary, co-founders of Genscape, speak with Zack Pennington, sales manager at EdjAnalytics, about the rise of Genscape and Louisville's startup business climate at the September Venture Connectors luncheon at the Muhammad Ali Center. | Photo by Lisa Hornung

In the early years of Genscape, co-founders Sean O’Leary and Sterling Lapinski experienced lots of ups and downs, from not being able to make the payroll to, at one point, owing \$1 million and having no idea how they were going to pay it back.

But persistence and some good decisions made at the right time helped them push through and eventually sell their company for \$140 million.

The two now run other businesses. Lapinski is executive chairman at ClipperData, a company that provides data, analysis and commentary on the movement of crude oil and other refined products, and O’Leary went on to co-found EdjAnalytics, a company that uses predictive modeling to help businesses in certain industries make smarter decisions.

The pair took part in a “fireside chat”

with

EdjAnalytics

sales manager Zack Pennington at the Venture Connectors September luncheon.



VENTURE CONNECTORS

Before becoming entrepreneurs, Lapinski and O’Leary were energy traders, and it was during their time working in Houston in the mid-1990s that they came up with the idea of creating a company that sells energy data to traders.

As energy traders, they saw that there was a market for the data, but nobody was providing it. They even pitched the idea, which would later become Genscape, to people at the company they worked for at the time.

“They said it sounded illegal and wanted nothing to do with it,” Lapinski said with a chuckle. “So, we put it on a shelf.”

Eventually, O’Leary moved back to Louisville, where his wife was from and where he’d gotten his MBA from the University of Louisville, and he and Lapinski, who was still in Houston, worked on Genscape on nights and weekends. When the company started to look like it could become a full-time venture, O’Leary told Lapinski that there was no way he was ever moving back to Houston. Instead, in 2000, Lapinski came to the River City.

The lean years

Although the company had an established market, getting funding was more of a challenge than they'd expected. At one point, they had an investor with terms on the table, but in the first week of September 2001, the investors backed out and changed the terms to half of what they'd already planned.

"It was kind of a screw-you



Sean O'Leary

mentality," O'Leary said. " 'Forget those guys. We'll go find it someplace else.' "

But then a week later, the Twin Towers fell, and a week after that "our biggest customer who had a \$2 million option to extend for a year, tells us they're not going to extend," he recounted.

Also, the month prior, Jeff Skilling, the then-CEO of Enron, had resigned following a major corporate fraud and corruption scandal. Enron was a major player in the energy trading market, and the news made Genscape's future appear even shakier.

"And now, we're at the end of September, and we're going, 'Holy crap, we're going to miss payroll.' We had money, and then we didn't have money," O'Leary said.

The pair went back to the investor, who'd changed the terms, and managed to work out a deal so they could still get capital.

"In hindsight, it was the right thing to do. If we hadn't, we would have gone out of business," O'Leary said.

Decisions like those helped keep Genscape afloat but not without some serious angst.

The business partners said they used to play “Rock, Paper, Scissors” to decide who’d answer the phone.

“It might be a prospective customer, so you had to answer it — this was before caller ID or cell phones — but it was also likely to be the guy who we owed a million dollars to, who called three times a day,” Lapinski said.

Selling high

In 2005, the pair traveled to New York to talk to Dow Jones about working with the



Sterling Lapinski

corporation, which at that time owned The Wall Street Journal.

“About 10 minutes into the meeting, the guy said, ‘Ugh, enough! We just want to buy you,’ ” Lapinski said.

They agreed on a nominal price of \$70 million.

“So we left the meeting and called our board chairman and said, ‘Hey, we sold the company.’ They said, ‘No, you didn’t.’ They said, ‘If they were willing to pay \$70 million, somebody else will pay more,’ ” Lapinski recalled.

So they went through a complete process to market Genscape for sale and ended up selling for \$140 million to British company Daily Mail and General Trust. Dow Jones never showed up to buy it.

Lapinski and O’Leary said the things they did well were managing risk and moving fast. The pair has always been “bird-in-hand” guys, they told the crowd at Venture Connectors, which is why they almost sold for half of what

they were worth. But, they listened to the right advice and waited for a better offer.

Both Lapinski and O'Leary said Louisville is a great place to start a business but noted that there are things that would help businesses have an easier start.

"I think the market's gotten tougher in many respects," Lapinski said. "When we were raising money, there was a long period there when we had tremendous support, but there were a lot of firms that would write \$500,000 to \$1 million checks. Those are now \$5 million deals. For the type of capital that many businesses need to raise here, there really is a big hole. We're not doing enough to fill that hole better than anyplace else."

O'Leary agreed, adding: "We do have a good angel (investor) network here, but it needs to be organized a little better. Within an ecosystem, you've got everything from startups to the big guys, and I think we all play a role in all steps along the way, that I'm not sure everybody understands. I don't think that we as a community necessarily articulate what the expectations are and what we can do (to help)."

The next meeting of [Venture Connectors](#) is Oct. 3. A speaker has not yet been announced.

LISA HORNUNG

Lisa Hornung a native of Louisville and has worked in local media for more than 15 years as a writer and editor. Before that she worked as a writer, editor and photographer for community newspapers in Kansas, Ohio and Kentucky. She has a bachelor's degree in journalism from the University of Georgia, and after a 20-year career in journalism, she obtained a master's degree in history from Eastern Kentucky University in 2016.



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