

The Leon Recanati Graduate School of Business Administration

## Entrepreneurial Finance -1264.3939

Summer– 2021

Section	Day	Hour	Exam date	Lecturer	Email	Telephone
	11/07- 15/07	5:15-8:45pm	N/A	Dr. Robyn Klingler- Vidra	<a href="mailto:Robyn_Klingler.Vidra@kcl.ac.uk">Robyn_Klingler.Vidra@kcl.ac.uk</a>	+44(0)750 6700825

**Teaching Assistant (TA):** TBC

**Office Hours:** Please contact the course convenor to set a time.

**Prerequisites:** N/A

**Parallel requirements:** N/A

### Course Units

1 course unit = 4 ECTS units

The ECTS (European Credit Transfer and Accumulation System) is a framework defined by the European Commission to allow for unified recognition of student academic achievements from different countries.

### Course Description

This course explores two primary themes: (1) the contemporary forms of entrepreneurial finance available to high-growth start-ups and (2) the deal filtering models, valuation techniques and deal terms employed in venture capital investments, specifically. The aim of the material and teaching approach is to provide actionable insights and experience for (would-be) entrepreneurs, start-up managers, angels and venture capitalists. The scenarios largely focus on technologically-oriented start-ups and engages with the ways in which venture capital investment terms change in times of crisis, such as the ongoing Covid-19 pandemic.

The module aims to interrogate and answer the following critical questions: What are the types of entrepreneurial finance available? How do venture capitalists employ deal filtering models? How are start-ups valued? At what terms should start-ups (not) negotiate on? How do terms change in a crisis?

## Course Objectives

Upon completion of the course, the student will be able to:

1. Understand the growing forms of entrepreneurial finance
2. Develop and apply a deal filtering model or “scorecard”
3. Determine which and how start-up valuation techniques to use at various investment stages
4. Engage with deal terms and structures
5. Diagnostic and analytical skills for financing a growing business including
6. Enhance verbal skills through “pitch” presentations and negotiation simulations

## Evaluation of Student and Composition of Grade

Percentage	Assignment	Date	Group Size/Comments
40%	Pitch presentation (group)	15/07/2021	Grade given for quality of group content and delivery, incorporating feedback from peers.
10%	Questions asked in class to other groups following presentations	15/07/2021	Each group will need to ask at least 2 questions of each other presentation.
50%	Investment memo (group)	15/07/2021	Two-pages maximum; to explain deal selection rationale and valuation strategy.

\* According to University regulations, participation in all classes of a course is mandatory (Article 5).

\* Students who absent themselves from classes or do not actively participate in class may be removed from the course at the discretion of the lecturer. (Students remain financially liable for the course even if they are removed.)

## Course Assignments

The course will include a mix of analytical techniques, empirical evidence, group work and a dynamic simulation. The course aims to deliver practical, actionable knowledge on entrepreneurial finance in a global, contemporary setting. It employs leading case studies to illustrate key concepts and methods.

The assessment will be based on a group presentation and two-page investment memo. The group project will culminate in the formulation and presentation of an early-stage equity investment pitch. Each group will introduce their investment proposal in no more than 10 minutes. Specific requirements to be conveyed in class. To prepare the presentation, students must rely on course material and publicly-available company information. In addition to the pitch presentation, groups will each need to prepare an investment proposal (2 pages max, Times New Roman, 1.5 spacing) that details an investment opportunity they would present to their fellow partners at a “deal flow” meeting. The memo is required to consist of the deal filtering model they have used to select and score the company, and an outline of the valuation and proposed deal terms. The memo will need to explain *why* they have reached various decisions in both the filtering and proposed investment terms, rather than simply naming the terms.

## Grading Policy

In the 2008/9 academic year the Faculty instituted a grading policy for all graduate level courses that aims to maintain a certain level of the final course grade. Accordingly, this policy will be applied to this course's final grades. Additional information regarding this policy can be found on the Faculty website.

## Evaluation of the Course by Student

Following completion of the course students will participate in a teaching survey to evaluate the instructor and the course, to provide feedback for the benefit of the students, the teachers and the university.

## Course Site (Moodle)

The course site will be the primary tool to communicate messages and material to students. You should check the course site regularly for information on classes, assignments and exams, at the end of the course as well. Course material will be available on the course site.

## Course Outline\*

Day	Date	Topic(s)	Required Reading	Submissions	Comments
1	11/07/2021	Entrepreneurial Finance and HBS case exercise	HBS Case study: 500 Startups	N/A	
2	12/07/2021	Deal filtering models and an investment simulation	Aleman and Andreoli (2018) Ch 1	N/A	
3	13/07/2021	Valuation techniques and deal terms	<i>Venture Deals</i> (Ch 4); Cannon (2019)	N/A	
4	14/07/2021	Group work: 2-page investment memo and presentation prep	N/A	Share draft of the investment memo and presentation slides for feedback	
5	06/08/2020	The big pitch	N/A	Pitch presentation (group) and 2-page investment memo	Presentation: Maximum 5-slides for 10 minutes; followed by Q&A and peer feedback.  Memo: Two pages, explaining the deal filtering model and the valuation strategy

\*Subject to change

## Required Reading

Aleman, Luisa and Job J. Andreoli. (2018) *Entrepreneurial Finance: The art and science of growing ventures*. Cambridge: Cambridge University Press. Chapter 1.

Cannon, Tom. (2019) *The Art of Startup Valuation, A Guide for Early-Stage and Pre-Revenue Startups, Seedrs*. April.

Feld, Brad and Jason Mendelson. (2011) *Venture Deals: Be Smarter Than Your Lawyer and Venture Capitalist*. John Wiley & Sons. Chapters 3-5.

Klingler-Vidra, Robyn. (2020) "Venture Capital in Vietnam: Case Study".

Siegel, Robert and Yin Li. (2014) "[500 Startups: Scaling Early-Stage Investing](#)", E528-PDF-ENG.

## Recommended Reading

Kauffman Foundation. (2016) *Changing Capital: Emerging Trends in Entrepreneurial Finance*.

McKinsey & Co. Corporate Finance (2016) [Valuing high-tech companies](#).

Mullins, John. (2014) "VC Funding Can Be Bad for Your Start-up", *Harvard Business Review*. August 4.

Rogers, Steven. (2014) *Entrepreneurial Finance, Third Edition: Finance and Business Strategies for the Serious Entrepreneur*. Harvard Business School. 3<sup>rd</sup> Edition.

Sahlman, William A. and Daniel R. Scherlis. (1987) [Revised 2009] "A Method for Valuing High-Risk, Long-Term Investments: The "Venture Capital Method". *Harvard Business School Background Note 288-006*

Wilmerding, Alex. (2005) *Deal Terms*. Aspatore Books.