

VENTURE CAPITAL "SCHNELLKURS"

Jakob Gajšek

What is venture?

**Investing in
super-fast-and-high-growth
companies.**

5-7 year exit period.

DOES VC ACTUALLY HAVE AN IMPACT?

Employee growth:

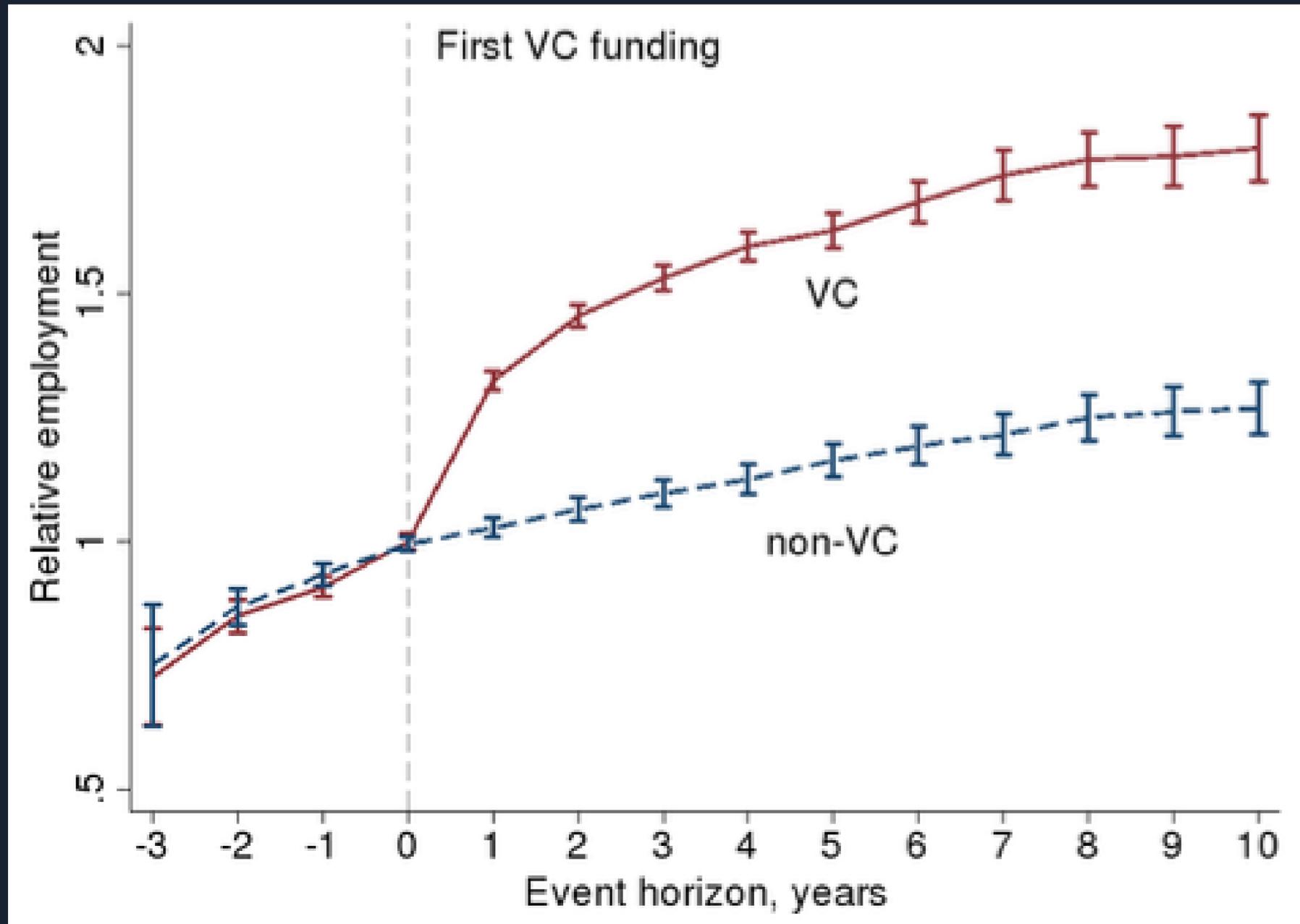
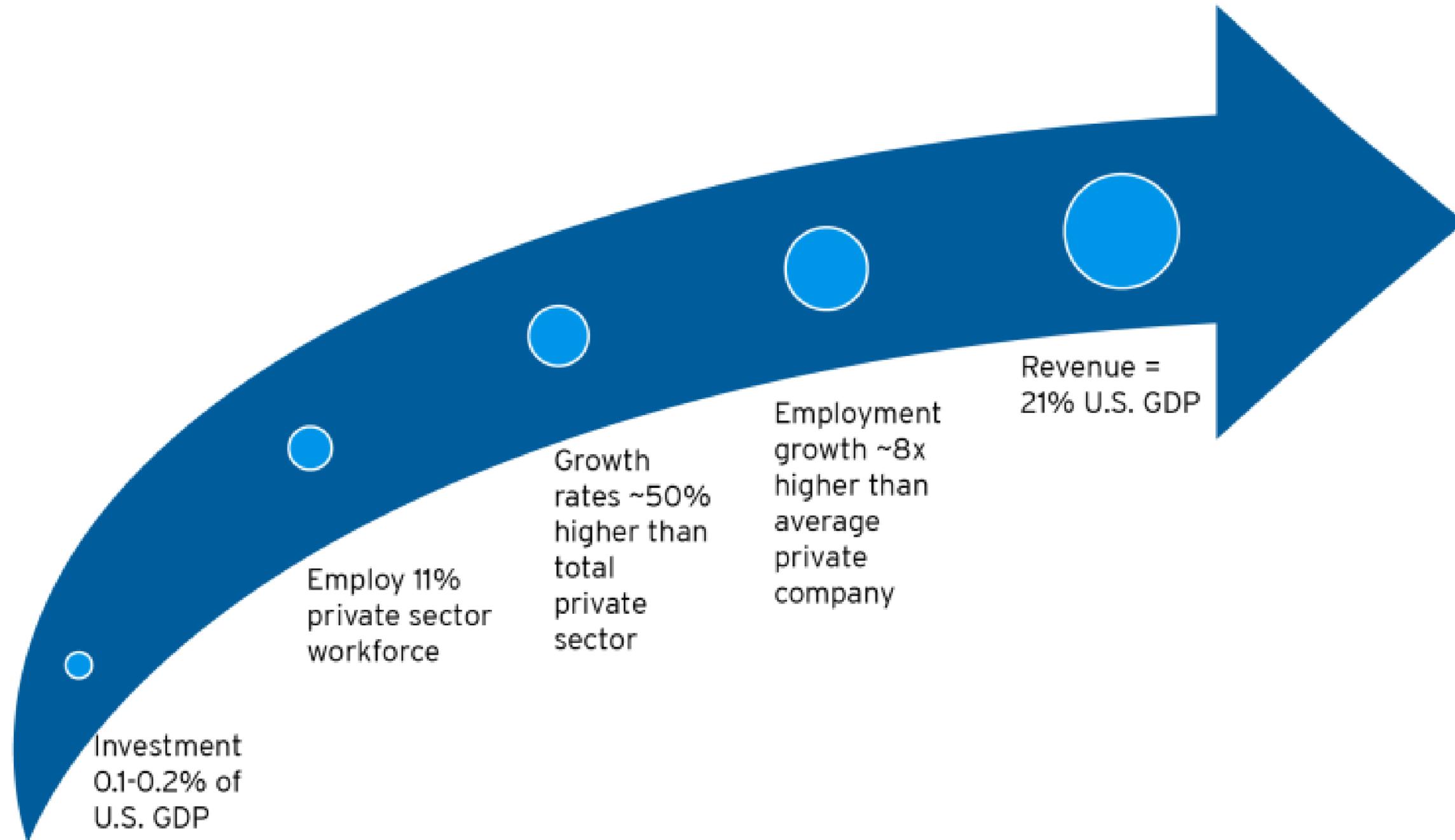


FIGURE 1

Venture capital-backed companies drive economic growth



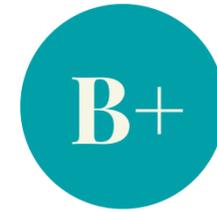
Source: Annaleena Parhankangas, "The Economic Impact of Venture Capital"

Company growth 28% lower
if we remove VC.

<https://voxeu.org/article/impact-venture-capital-backed-firms-aggregate-economy>

Investment stages

INVESTMENT STAGES



Series B and onward



Series A



Seed



Pre-seed

**FUNDRAISING
MAJOR MILESTONES**

VC IS LIKE A LADDER.

**YOU GET MONEY ON ONE PEG
TO GET TO THE NEXT.**

WHAT ARE YOUR PEGS?

LADDER OF PROOF

$\frac{N}{X}$



- Rapid Growth
- Other Defensibilities
- Network Effects
- Good Company Name
- Business (Not Product)
- Competitive Opening
- High LTV
- Low CAC
- Channel Partnerships
- Reputable Investors
- Team in One Place
- Scalable Aquisition
- Good Unit Economics
- Paying Customers
- Customer Retention
- Active Users
- Customer Waitlist
- Ability to Build Product
- Expert Advisors
- Fresh, Good Idea
- Great Team
- Big Market
- Customer Need

PRE-SEED STAGE

INVESTMENT SIZE

- Region: a few 10k€
- Global: 50-100k€

WHO IS INVESTING?

- F&F&F
- Accelerators
- Business Angels (individually)
- Public grants
- PoC

REQUIREMENTS

- Team (!)
- Idea and market potential
- MVP

- Goal: Develop product and test market

SEED STAGE

INVESTMENT SIZE

- Region: up to 500k€
- Global: up to \$1M

WHO IS INVESTING?

- VC Funds
- Angels (consortium)

REQUIREMENTS

- Team (!!)
- Idea and market potential
- Product
- First market response

- Goal: Properly enter the market

SERIES-A STAGE

INVESTMENT SIZE

- Region: 1-2M€
- Global: 5-10M€

WHO IS INVESTING?

- VC Funds
- Angels (consortium) - rare
- Corporations

REQUIREMENTS

- Team (!!)
- Repeatability
- Metrics
- Idea and market potential
- Product

- Goal: Segment dominance

SERIES-B+ STAGE

INVESTMENT SIZE

- Region: 5+ M€
- Global: 50+ M€

WHO IS INVESTING?

- VC Funds
- Corporations
- Family offices
- Private equity & hedge funds

REQUIREMENTS

- Repeatability
- Metrics
- Goal-driven

- Goal: very explicit

FINDING THE RIGHT INVESTOR

STAGE

SECTOR

LOCATION

Why is startup - investor fit so important?

Why Choosing A VC Is Like Choosing A Spouse



Adam Marchick Contributor

Entrepreneurs

I write about Voice-first, AI, mobile and their intersections.

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This article is more than 6 years old.

TWEET THIS



Committing to a relationship with a VC is committing to the long-term. In romantic terms, it's a marriage, not a casual drink



Committing to a relationship with a VC is committing to the long-term. In romantic terms, it's a marriage, not a casual drink



What to consider before you put a ring on it



Committing to a relationship with a VC is committing to the long-term. In romantic terms, it's a marriage, not a casual drink or weekend



getaway. In fact, venture capital/startup relationships last just as long as most marriages -- around 7 or 8 years -- and can be just as emotionally taxing.

Types of investors

Types of investors

Financial vs. Strategic

Business Angels

Financial

Manage own money

Individuals, clubs

Patient

Smaller tickets

Invest in what they know

Venture Capital Funds

Financial

Mandate to invest LP money

Investment strategy

5y + 5y + 1y + 1y

Size varies

Family office

Huge variety!

Financial

Professionally-managed

large private wealth

Single / Multi

Patient

Corporate Venture Capital

Strategic (usually)

Fund vs off the balance-sheet

Usually later-stage

IS THERE

FUNDRAISING FROM THE REGION

ANYBODY

OUT THERE?



Credo.



FIL
ROUGE
CAPITAL

LAUNCHUB
VENTURES



South Central
Ventures

LAUNCHPAD LA

i/o ventures



Excelerate

KICKLABS

Y Combinator

500startups

DREAMIT VENTURES



AngelPad



Seedcamp



L39

Barclays Accelerat

FUSION



FinTech Innovation Lab



LAUNCHHub SEED & ACCELERATION FUND



STRUCTURING A DEAL



WHAT TO DO BEFORE THE DEAL?

IDEALLY:

GET INVESTED, DON'T RAISE MONEY.

WHERE ARE YOU IN YOUR
DEVELOPMENT?

WHAT ARE YOUR SKILL GAPS?

CAN THEY OFFER MORE THAN JUST
CAPITAL?

DO
YOUR
HOMEWORK.

STRATEGIC OR FINANCIAL INVESTOR?

WHAT IS THEIR MOTIVATION?

HAVE A RELATIONSHIP STRATEGY.

EXTRACT VALUE!

DO THEY
UNDERSTAND
YOU?

WHERE ARE THEY IN THEIR FUND
CYCLE?

CAN THEY SUPPORT YOU?
(ABILITY + WILLINGNESS!)

THEIR REPUTATION?

ASK PEERS.

ARE TERMS FAIR AND
FOUNDER-FRIENDLY?

POWER BALANCE?

YOU'RE ACTUALLY BUILDING THIS...
THEY PROVIDE FUEL.

ASK TOUGH QUESTIONS!

YOU SELL TO THEM,
THEY SELL TO YOU.

HOW DO INVESTORS REVIEW DEALS?

PITCH DECK REVIEW

THESIS FIT

CHEQUE SIZE

VIABLE SOLUTION TO REAL PROBLEM

MARKET SIZE

COMPETITION

1ST CALL/MEETING

UNDERSTAND STARTUP'S VISION

STARTUP'S EXECUTION

TEAM – SKILLS, DYNAMIC, CULTURE

PLANS FOR THE MONEY. BE SPECIFIC.

FOLLOW-ON MEETINGS

LEGITIMATE TECH, SECURE IP?

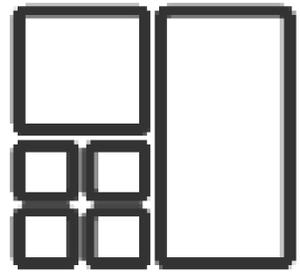
CAN YOU GROW FAST ENOUGH?

ARE YOU ASKING FOR ENOUGH MONEY

TO GET TO NEXT STEP?

CAN YOU WORK TOGETHER?

INTERNAL CONSIDERATIONS



Complement
or conflict
with portfolio



Capital to defend
or follow



Do we have
capacity to work
the deal?



Can we add
value?



FOMO

**DEAL STARTS
HAPPENING!**

WHERE SHOULD A FOUNDER SPEND
THEIR TIME IN THE DEAL?

VALUATION
TERMS

TERMS

VALUATION

VALUATION

HOW DO YOU VALUE
AN EARLY-STAGE BUSINESS?

VALUATION

HOW DO YOU VALUE
AN EARLY-STAGE BUSINESS?

DO NOT!

LOGIC:

GIVE THEM THE MONEY THEY NEED.

TAKE 15-20% OF EQUITY.

IT'S A NEGOTIATION. USE DATA!

TRANSPARENT PROCESS ON BOTH
SIDES!

DON'T PAY SOMEONE TO VALUE YOUR
COMPANY.

VALUATION GROWTH BETWEEN ROUNDS:

2,5-3X!

CAP TABLE - STANDARDS

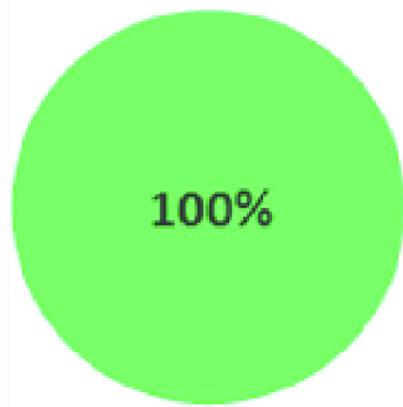
PRE-SEED: 10%-ISH

SEED - 10-20%

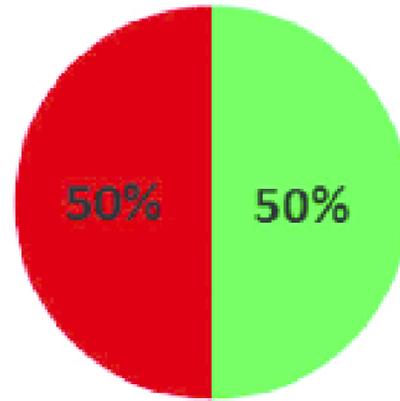
SERIES A . 20-25%

LATER... NO RULE. USUALLY 20%-ISH

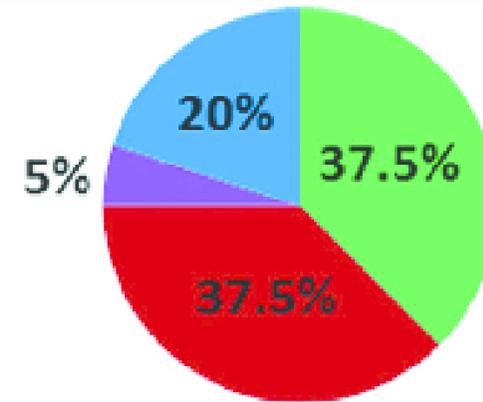
CALCULATING DILUTION



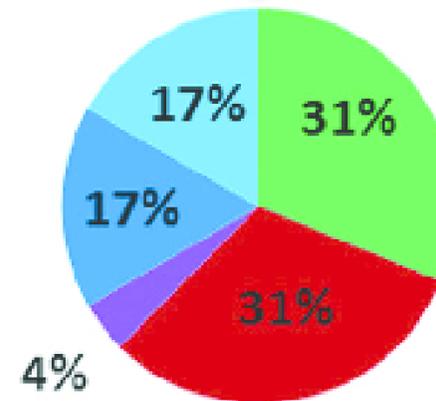
IDEA STAGE



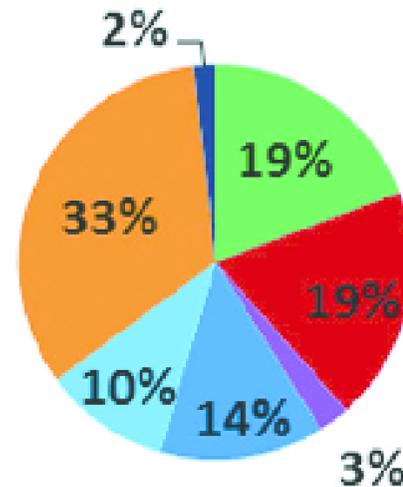
COFOUNDER STAGE



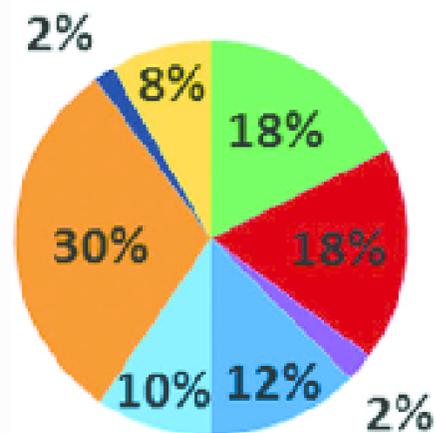
FAMILY & FRIENDS



SEED ROUND



VENTURE CAPITAL



IPO

■ Founder 1

■ Founder 2

■ Family & Friends

■ Option pool

■ Angel

■ VC

■ Employees

■ Public

NEGOTIATING A TERM SHEET

TERMS

VALUATION

1. ECONOMIC TERMS

2. CONTROL TERMS

ECONOMIC TERMS

INVESTMENT INSTRUMENTS

INVESTMENT INSTRUMENTS

EQUITY

Investors buy shares
Valuation is negotiated now
They get all shareholder rights
now
Notary?
Slightly more expensive

INVESTMENT INSTRUMENTS

CONVERTIBLE LOAN/NOTE

- Debt secured by equity
- Valuation determined later
- Rights granted later
- Conversion at next round
- Cap / Discount
- Cheaper, faster
- Debt liquidates before equity

INVESTMENT INSTRUMENTS

S.A.F.E.

Simple Agreement for Future
Equity

Conversion at next round

Rights granted later

Valuation determined later

Cap / Discount

Cheapest

Very risky for the investor

AFTER THE INVESTMENT

WHEN DO YOU GET THE MONEY?

HOW CAN YOU SPEND THE MONEY?

LIQUIDATION PREFERENCE

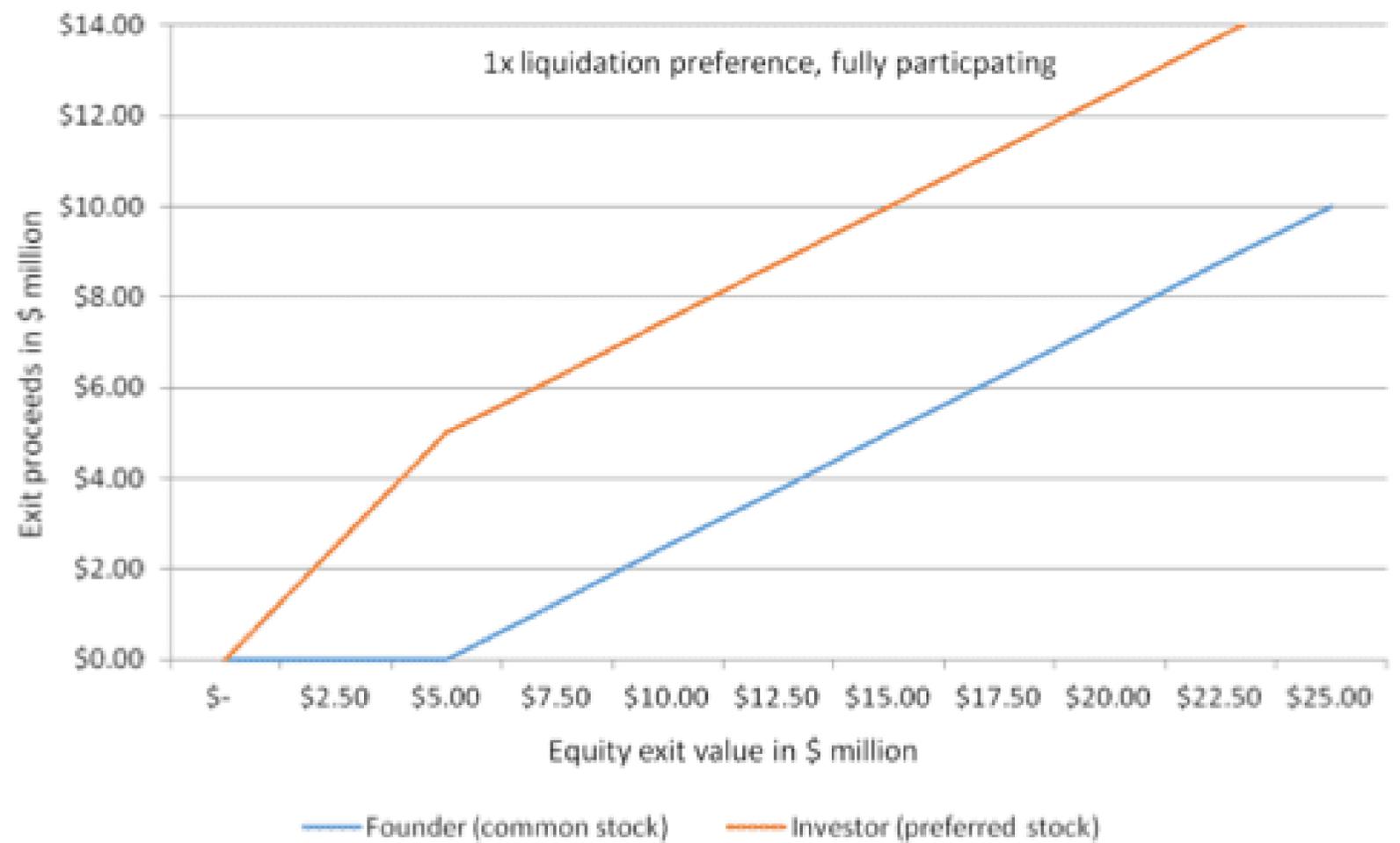
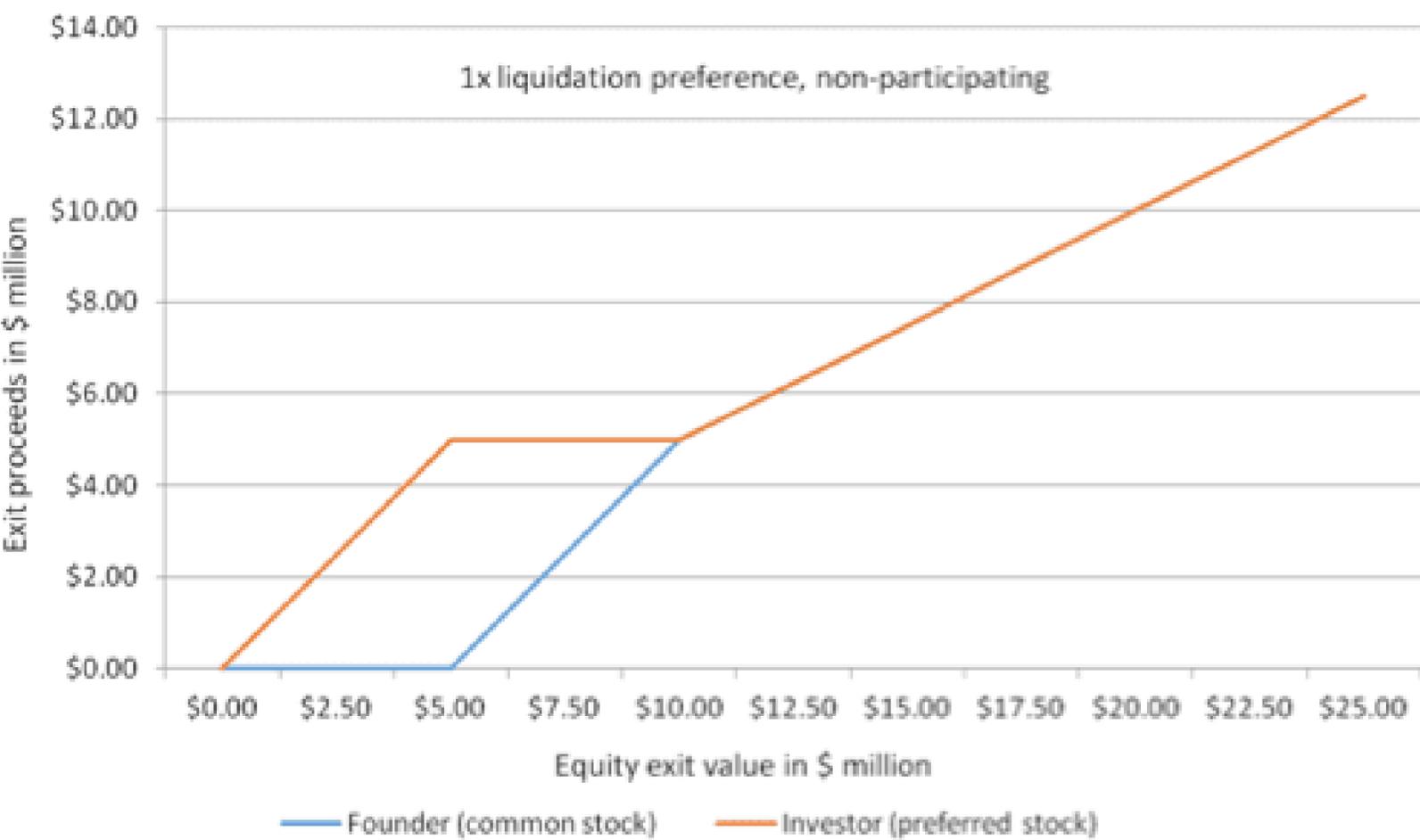
LIQUIDATION PREFERENCE

NONE

1X PREFERRED

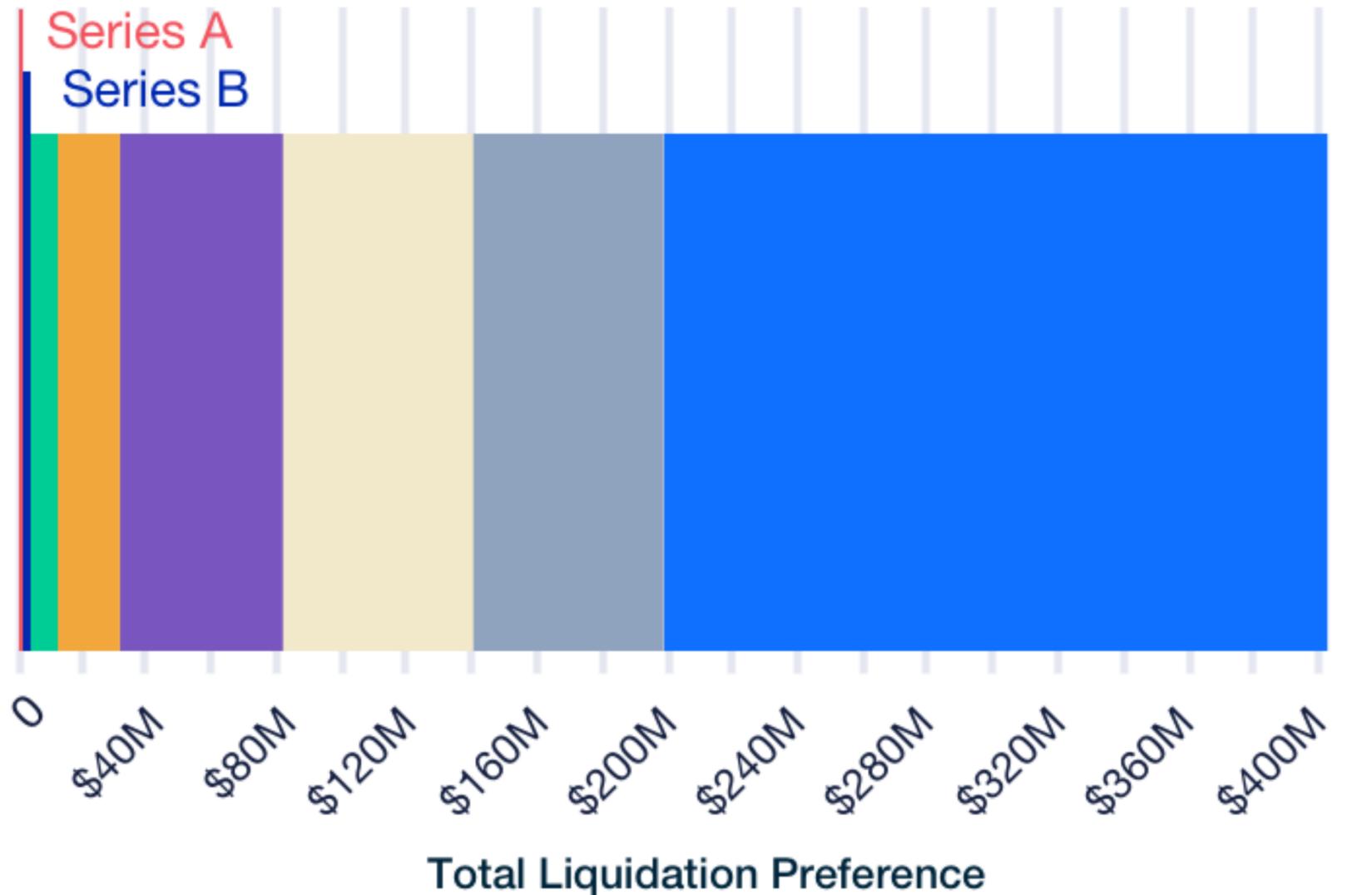
1X PARTICIPATING PREFERRED

3X PARTICIPATING PREFERRED



Eventbrite Liquidation Preference Stack

From 2008-2017, Eventbrite raised \$334 million with a liquidation preference exceeding \$400 million



IPO VALUE:
1,8B€

Series A Series B Series C Series D
Series E Series F Series F-1 Series G

Source: SEC Filings

ANTIDILUTION

PROTECTING INVESTORS

"IF YOU RAISE UNDER A CERTAIN VALUATION, I DON'T LOSE MY %."

ANTIDILUTION

NONE

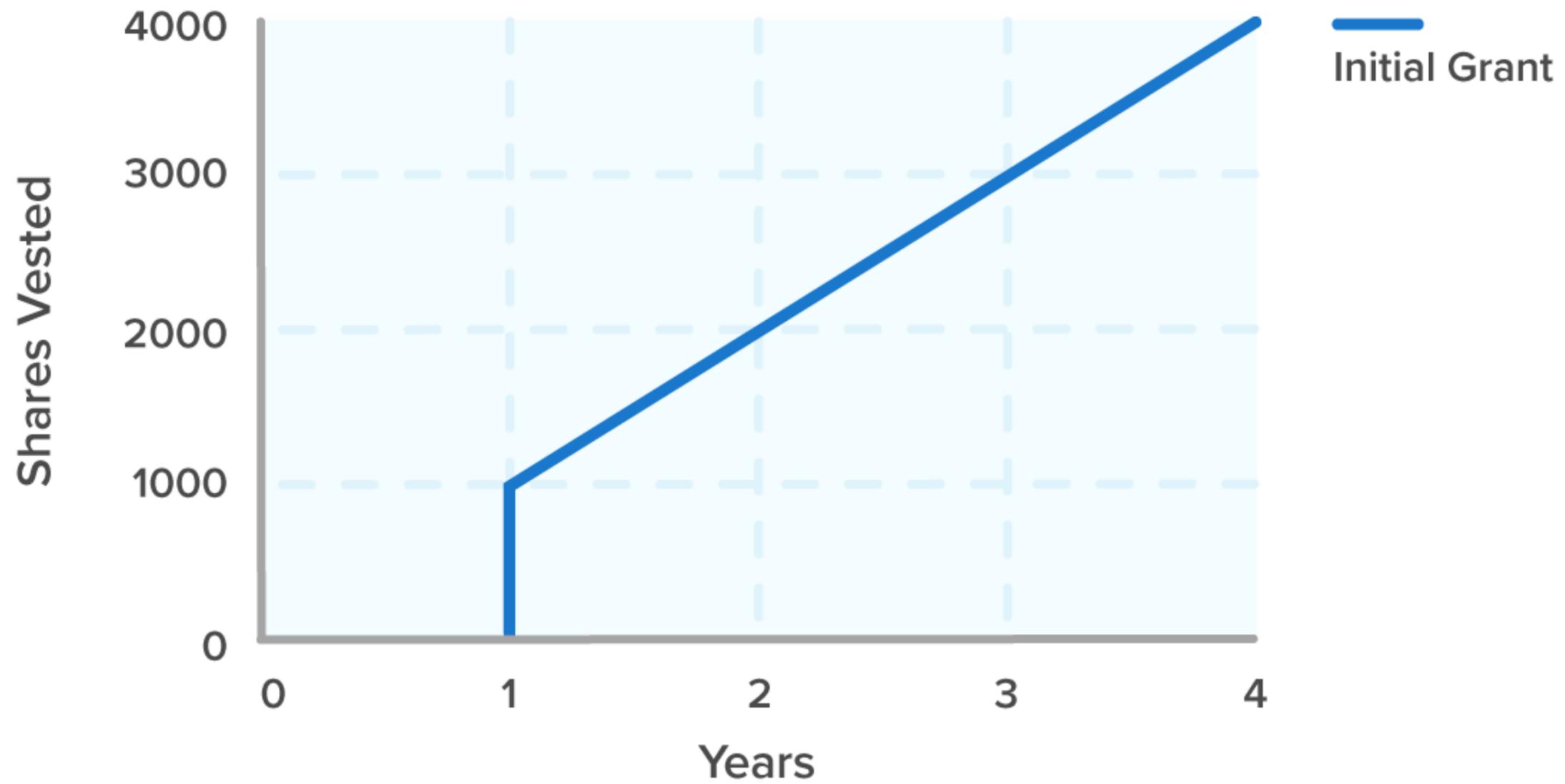
AT INVESTMENT VALUATION

2X

AT 3.5M€

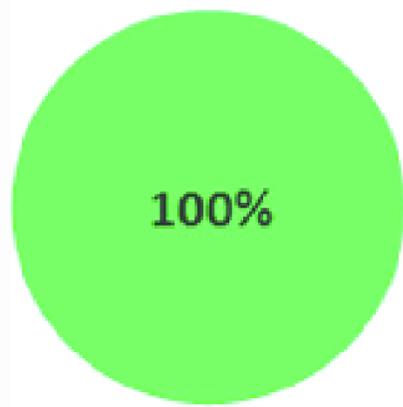
VESTING

Typical Vesting Schedule

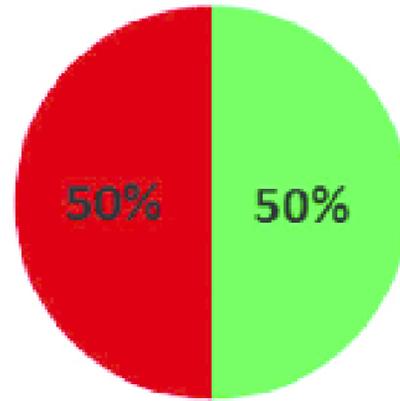


EXERCISE PERIOD

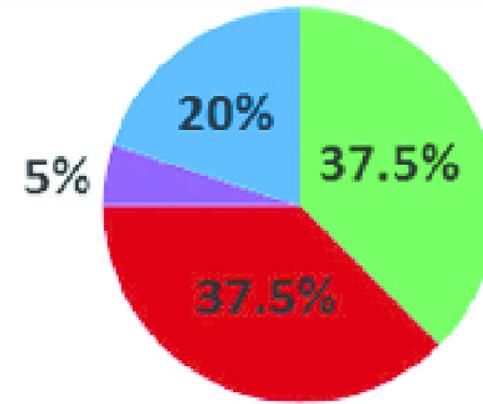
EMPLOYEE POOL



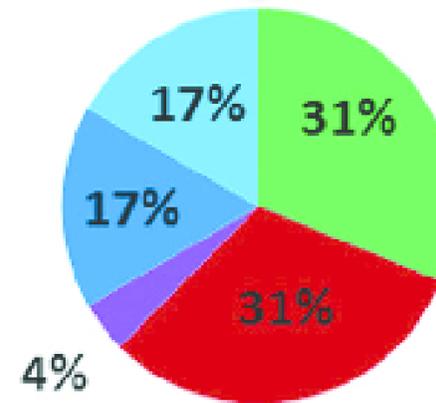
IDEA STAGE



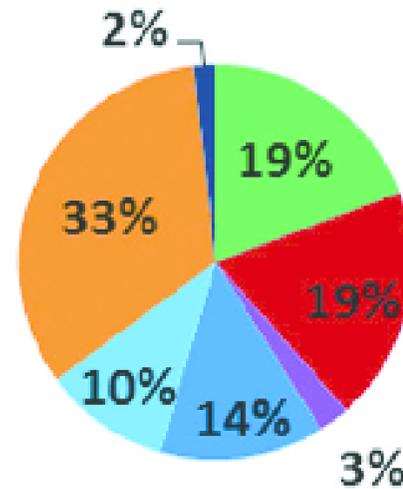
COFOUNDER STAGE



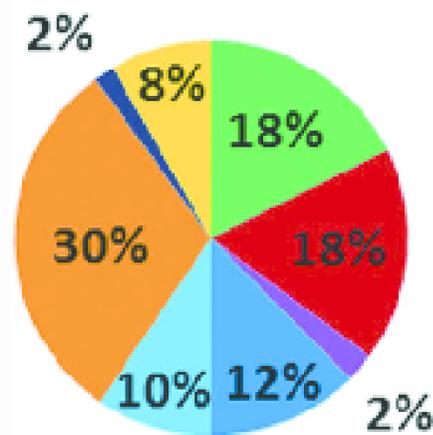
FAMILY & FRIENDS



SEED ROUND



VENTURE CAPITAL



IPO

■ Founder 1

■ Founder 2

■ Family & Friends

■ Option pool

■ Angel

■ VC

■ Employees

■ Public

PAY-TO-PLAY

PROTECTING FOUNDERS:

"IF YOU DON'T REINVEST,
YOU LOSE RIGHTS."

CONTROL TERMS

BOARD OF DIRECTORS

3, 5, 7... PEOPLE

**EARLY BOARD VS. LATE BOARD VS.
PUBLIC BOARD**

EARLY BOARD

CEO & FOUNDER 1

FOUNDER 2

INVESTOR

LATE BOARD

CURRENT CEO

FOUNDER(S)

INVESTOR(S)

INDEPENDENT



Brands

Publishers

Platform

Insights 

Company

TALK TO US

Board Of Directors

Celtra

Mihael Mikek

Free Agent

Sarah Fay

SoftBank Capital

Joe Medved

GrandBanks Capital

Tim Wright

Fairhaven Capital

Rudina Seseri

PUBLIC BOARD

Alphabet
Investor Relations

Board of Directors

Larry Page
Sergey Brin
John L. Hennessy
L. John Doerr
Roger W. Ferguson, Jr.
Ann Mather
Alan R. Mulally
Sundar Pichai
K. Ram Shriram
Robin L. Washington

Board Committees

Audit Committee
Leadership Development and Compensation Committee
Nominating and Corporate Governance Committee
Executive Committee

Board of directors

In April 2019, Facebook nominated [Peggy Alford](#) to be added as a board member during the May 2019 AGM. If this happens, she will become the first African-American woman to serve in this board, and the second African-American ever to do so.^[171] As of April 2019, Facebook's board consists of the following directors:^[169]

- [Mark Zuckerberg](#) (Chairman, Founder and CEO)
- [Sheryl Sandberg](#) (Executive Director and COO)
- [Marc Andreessen](#) (Non-Executive Director, Co-Founder and General Partner, [Andreessen Horowitz](#))
- [Erskine Bowles](#) (Non-Executive Director, President Emeritus, [University of North Carolina](#))
- [Kenneth Chenault](#) (Non-Executive Director, Chairman and Managing Director, [General Catalyst](#))
- [Susan Desmond-Hellmann](#) (Non-Executive Director, CEO, [Bill & Melinda Gates Foundation](#))
- [Reed Hastings](#) (Non-Executive Director, Chairman, Co-Founder and CEO, [Netflix](#))
- [Peter Thiel](#) (Non-Executive Director, Co-Founder and Former CEO, [PayPal](#), Founder and President, [Clarium Capital](#))
- [Jeffrey Zients](#) (Non-Executive Director, Former Director, [U.S. National Economic Council](#))

PROTECTIVE PROVISIONS

PROTECTIVE PROVISIONS:

A LIST OF THINGS YOU CAN'T DO
WITHOUT MAJORITY INVESTOR
CONSENT.

ISSUING STOCK, CHANGING STOCK,
TAKING BIG DEBT, SELLING...

DRAG-ALONG / TAG ALONG

DRAG ALONG

IF A MAJORITY OF SHAREHOLDERS
AGREE TO A SALE, THE REMAINING
SHAREHOLDERS WILL AGREE TO SELL
THEIR SHARES WITH NO OBJECTION.

TAG ALONG

IF ANY SHAREHOLDER MAKES AN AGREEMENT FOR A PRIVATE SALE OF THEIR SHARES, OTHER SHAREHOLDERS HAVE THE RIGHT TO SELL THEIR SHARES TO THE SAME BUYER ON THE SAME TERMS.

RIGHT OF FIRST REFUSAL

NO-SHOP AGREEMENT

**OTHER TERMS...
LARGELY STANDARD.**

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