



LJUBLJANSKI UNIVERZITETNI  
**INKUBATOR**

# 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:

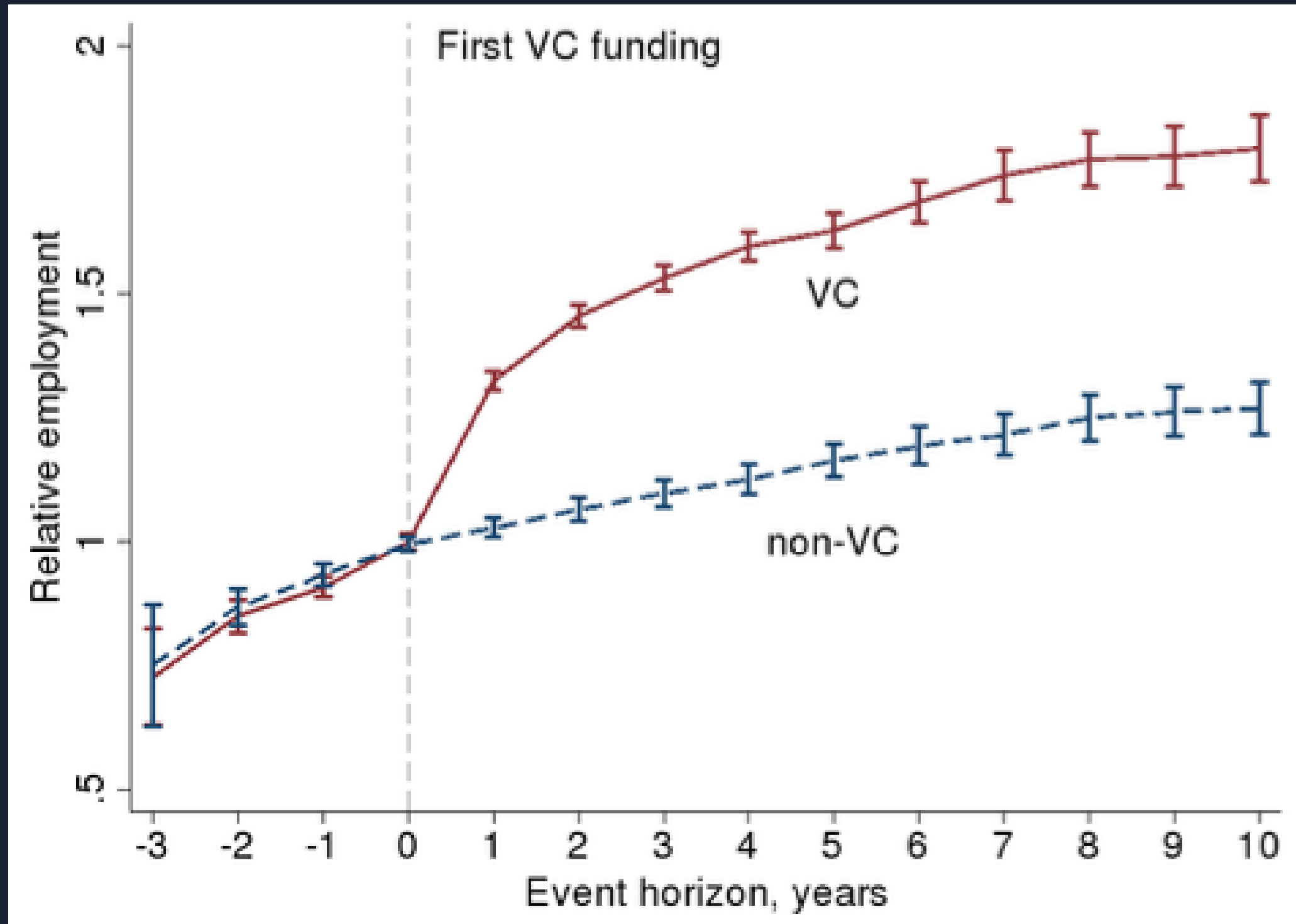
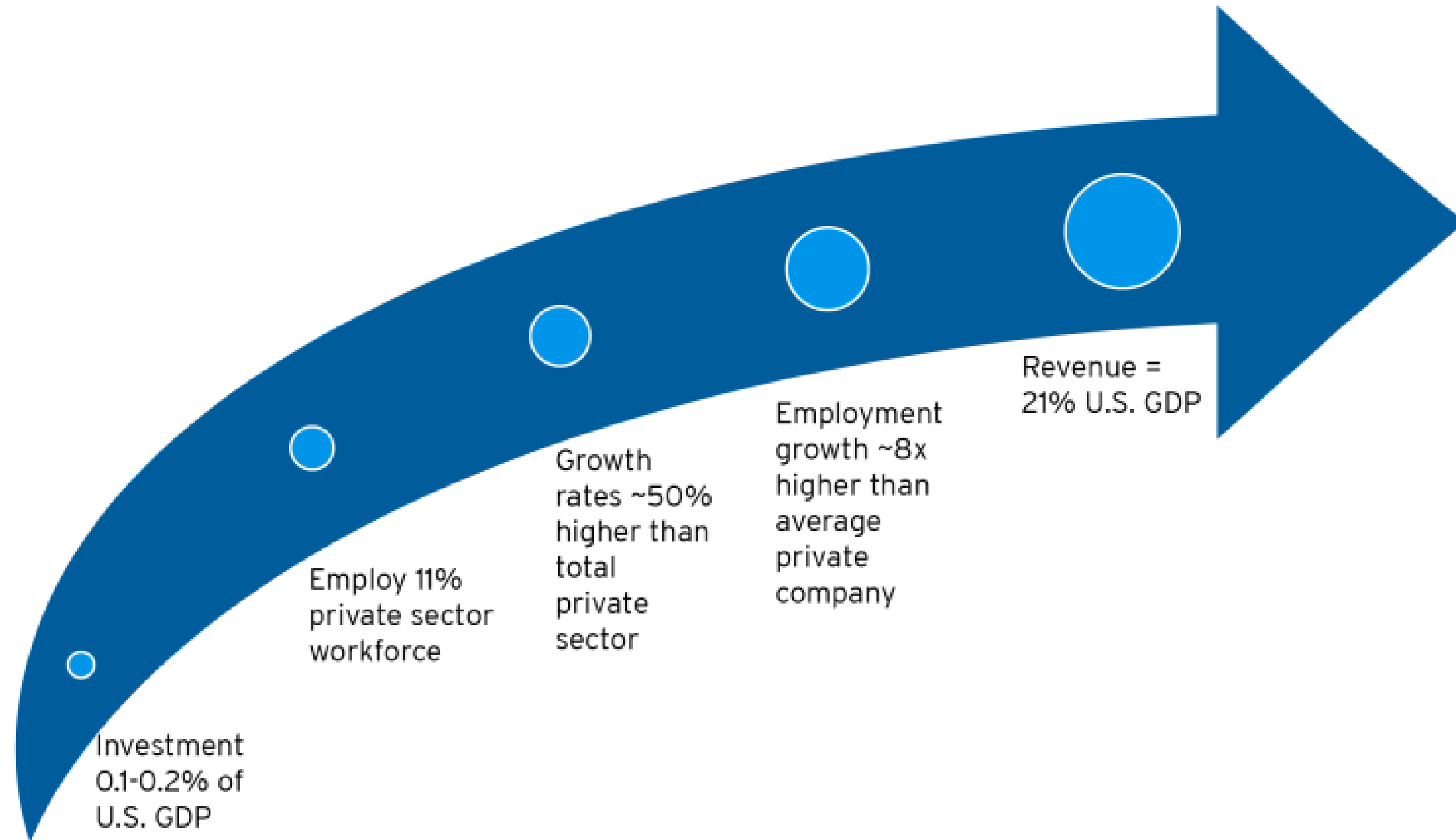


FIGURE 1

## Venture capital-backed companies drive economic growth



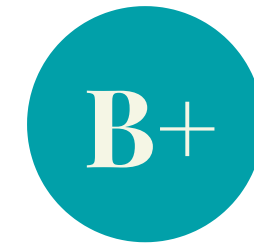
Source: Annaleena Parhankangas, "The Economic Impact of Venture Capital"

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

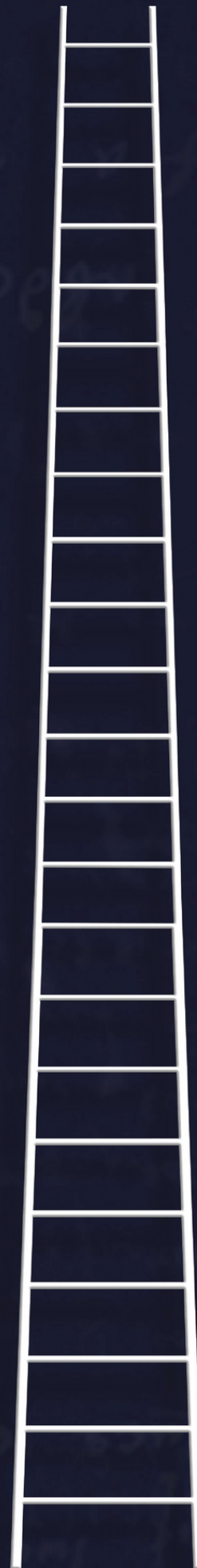
VC IS LIKE A LADDER.

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

WHAT ARE YOUR PEGS?

# LADDER OF PROOF

NfX



- 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.*

Follow

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?



**PUSH**  
VENTURES





EIF, SID Banka and HBOR



Central Eastern European  
Technology Transfer Programme

**€40 million**

*supporting the commercialisation of research*



LAUNCHPAD LA

i/o ventures



Excelerate

KICKLABS

DREAMIT  
VENTURES

Y Combinator

500startups



AngelPad



Seedcamp



L39

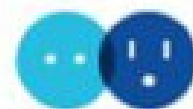
Barclays Accelerat



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?

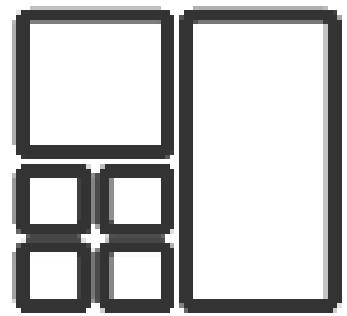
ARE YOU ASKING FOR ENOUGH MONEY

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?

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

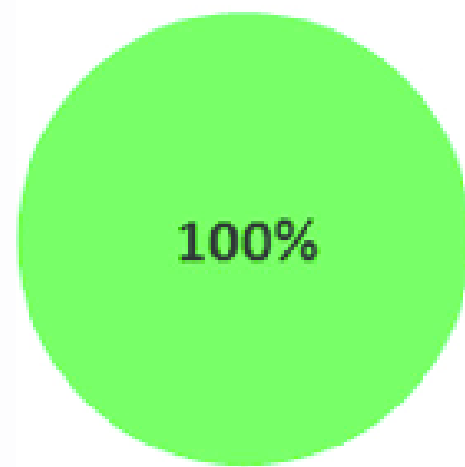
PRE-SEED: 10%-ISH

SEED – 10-20%

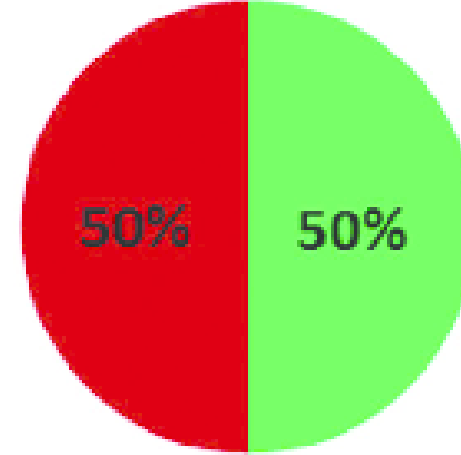
SERIES A . 20-25%

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

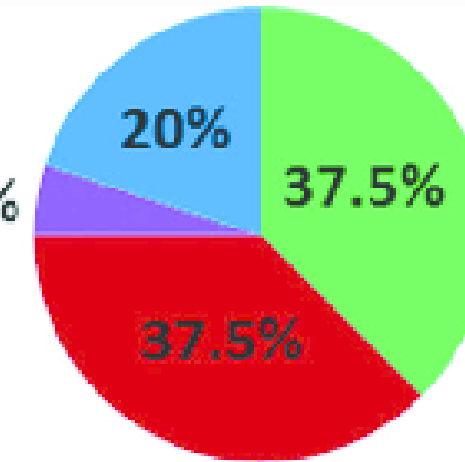
# CALCULATING DILUTION



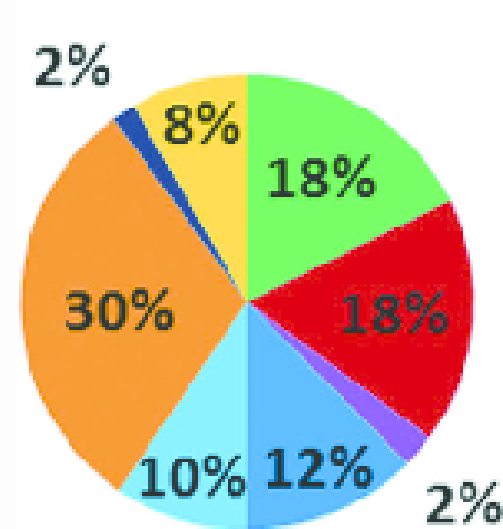
**IDEA STAGE**



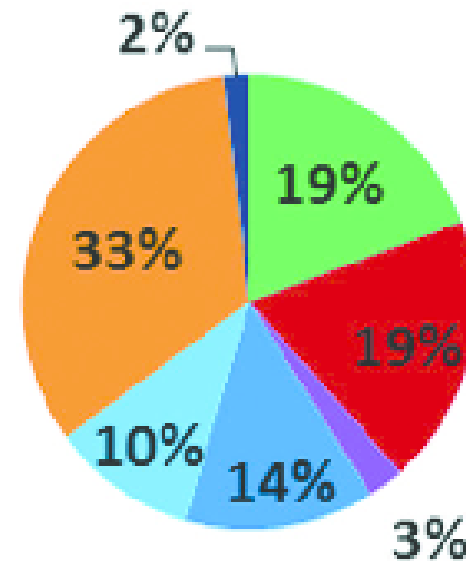
**COFOUNDER STAGE**



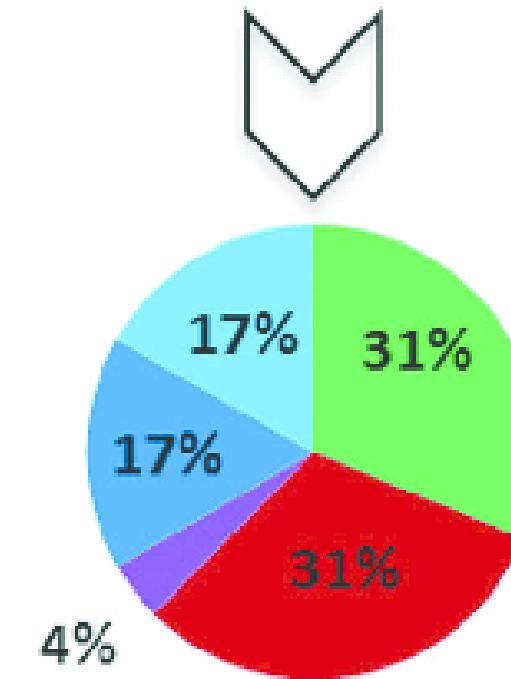
**FAMILY & FRIENDS**



**IPO**



**VENTURE CAPITAL**



**SEED ROUND**

■ Founder 1

■ Founder 2

■ Family & Friends

■ Option pool

■ Angel

■ VC

■ Employees

■ Public

# NEGOTIATING A TERM SHEET

TERMS

VALUATION

**1.ECONOMIC TERMS**

**2. CONTROL TERMS**



|                  |  |           |
|------------------|--|-----------|
| <u>Chapter 5</u> | <b><u>Economic Terms of the Term Sheet</u></b> | <b>45</b> |
|                  | <u>Valuation and Price</u>                     | 45        |
|                  | <u>Employee Option Pool</u>                    | 47        |
|                  | <u>Warrants</u>                                | 50        |
|                  | <u>How Valuation Is Determined</u>             | 52        |
|                  | <u>Liquidation Preference</u>                  | 54        |
|                  | <u>Pay-to-Play</u>                             | 63        |
|                  | <u>Vesting</u>                                 | 66        |
|                  | <u>Exercise Period</u>                         | 70        |
|                  | <u>Antidilution</u>                            | 71        |

|                  |   |           |
|------------------|---|-----------|
| <u>Chapter 6</u> | <b><u>Control Terms of the Term Sheet</u></b> | <b>77</b> |
|                  | <u>Board of Directors</u>                     | 77        |
|                  | <u>Protective Provisions</u>                  | 81        |
|                  | <u>Drag-Along Agreement</u>                   | 85        |
|                  | <u>Conversion</u>                             | 88        |

|                  |   |           |
|------------------|---|-----------|
| <u>Chapter 7</u> | <b><u>Other Terms of the Term Sheet</u></b>             | <b>91</b> |
|                  | <u>Dividends</u>  | 91        |
|                  | <u>Redemption Rights</u>                                | 93        |
|                  | <u>Conditions Precedent to Financing</u>                | 95        |
|                  | <u>Information Rights</u>                               | 97        |
|                  | <u>Registration Rights</u>                              | 98        |
|                  | <u>Right of First Refusal</u>                           | 100       |
|                  | <u>Voting Rights</u>                                    | 102       |
|                  | <u>Restriction on Sales</u>                             | 102       |
|                  | <u>Proprietary Information and Inventions Agreement</u> | 103       |
|                  | <u>Co-Sale Agreement</u>                                | 104       |
|                  | <u>Founders' Activities</u>                             | 105       |
|                  | <u>Initial Public Offering Shares Purchase</u>          | 106       |
|                  | <u>No-Shop Agreement</u>                                | 107       |
|                  | <u>Indemnification</u>                                  | 110       |
|                  | <u>Assignment</u>                                       | 110       |

# 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

# VESTING

## Typical Vesting Schedule

