



The Hebrew University of Jerusalem

Syllabus

Introduction to VC World and Entrepreneurial Finance - 55824

Last update 30-10-2019

HU Credits: 3

Degree/Cycle: 2nd degree (Master)

Responsible Department: Business Administration

Academic year: 0

Semester: 1st Semester

Teaching Languages: English

Campus: Mt. Scopus

Course/Module Coordinator: Mr. Shalom (Saul) Orbach

Coordinator Email: saul@beachheadgroup.com

Coordinator Office Hours: Before and after class, or by appointment

Teaching Staff:

Mr. saul orbach

Course/Module description:

This course will provide students with a deep understanding of the venture finance industry and financing types along the funding continuum from angel investing, venture capital, and private equity funds. Although our model will be the US market where the venture finance industry originated, we will also focus on, and highlight, the idiosyncrasies of the Israeli market. We will examine each type of funding from various perspectives including the entrepreneur, fund manager, and limited partner (to the extent there are) so that the student acquires a 360 degree understanding of each. This view will include fund structure and fund-raising, the relationship between general and limited partners, operational issues, evaluating opportunities and investment decisions, post investment activities and value creation, and value realization (exit). Particular attention will be paid to understanding valuation issues, cap tables and term sheets, the foundation of the actual investment.

From the entrepreneur's perspective, we will examine the process of company formation and value creation, with a particular emphasis on the fund raising process in all its details, including providing practical skills in market research, presentation tips and storytelling.

The group will be divided and work in teams over the course of our time together. Each team will have the opportunity to simulate both sides of the funding equation, as an investment manager and as an entrepreneur, particularly at the VC level.

We will have several highly regarded guest lecturers from the investment community who will share their vast experience with the students, and give the students the opportunity to network with these industry luminaries.

Additionally, there will be a select number of case assignments that illustrate important concepts of startup funding with a practical application.

Lastly, integrated into the venture material are several essential and fundamental legal topics including, founder's agreements, fund structure, term sheets, valuation, cap tables, and due diligence.

Students are expected to attend class regularly and participate in class discussions as this will be a key factor in the final grade.

Course/Module aims:

- Familiarity with venture capital various investors types
- Familiarity the venture capital terms
- Familiarity with the fundamental legal aspects of venture capital investments

Learning outcomes - On successful completion of this module, students should be

able to:

- Familiarity with venture capital various investors types
- Familiarity the venture capital terms
- Familiarity with the fundamental legal aspects of venture capital investments

Attendance requirements(%):

80%

Teaching arrangement and method of instruction: Lectures, Presentations, Assignments, case studies

Course/Module Content:

Session 1: Venture Finance – Overview and history

Venture Finance (or generically Private Equity) definition

History

The Funding Continuum: Introduction to Venture Finance types and objectives

Seed stage capital-Self Funding, Family & Friend

Incubators/Accelerators

Angel investing (Angel)

Venture Capital (VC)

Corporate Venture Capital (CVC)

Private Equity (PE)

Session 2: Venture Finance – Fund Profiles

Fund lifecycle and Operations

Comparing financing types and tools:

Seed: Incubator and Angel

VC and Growth

VC Lending and Revenue Lending

Growth and Buy Out

VC and Buy Out

Case Assignment: Lovepop

We will examine the challenges of early-stage fundraising, plus delve into the terms, offerings, and operations of startup accelerators.

Session 3: Financing a New Venture

Understanding the Investor decision process

Company creation and Raising Funds:

Incubator/Accelerator

Seed funding

A Round and later

Session 4: The Way VC works

Targeting the right VC
VC selection criteria
The VC process and timeline
Working with the VC post investment

Session 5: Valuation

Understanding Valuation
Methods to determine valuation
Understanding Dilution
Pre and post money valuation initially, and in future fund-raising rounds

Session 6: Cap Tables

Definition
Working with a Cap Table
Understanding shares
Option pools
Representing rounds on the cap table
Interpreting Cap Tables

Case Assignment: How Much and From Whom?: An Exercise in Seed-Stage Financing

We will examine the issues involved and methods for developing a capitalization model to reflect ownership, dilution, and pre and post money values.

Session 7: Investor investment decisions

What are the business drivers for each investor on the funding continuum?
Understanding investor selection criteria
Due Diligence
Understanding how investors make investment decisions

Session 8: Post investment: Value Creation

Working with companies post investment
Adding and Creating value

Session 9: Growth Capital

Late stage investment
Private Equity

Session 10: Value Realization: the Exit

Types of exits: IPO, acquisition, LBO
Understanding mechanics and pros and cons of each
Case Assignment: Pear VC

We will examine the perspective of an institutional venture capital firm regarding:
1) Prioritizing key investment criteria when evaluating early-stage entrepreneurs; 2)
Understanding how to create and sustain strong deal flow; and, 3) Evaluating the
economics of a venture capital fund.

Session 11: The Entrepreneur

The 8 questions you should be asking to start a company

Market Research: why, how, how much?

Fund Raising: how to prepare

Session 12: The Entrepreneur: Fund Raising Tools

The Business Plan and Executive Summary

Financial Projections

The Pitch Deck: what, how much, and how to

Story Telling

Presentation tips and tricks for successfully selling your idea

Session 13: The Entrepreneur: Fund Raising Process

Identifying the appropriate investors

Targeting investors

Developing Relationships with investors: the right way and the wrong way

Setting expectations correctly: understanding the process and timeline

Tips for successful fund raising

Session 14: Final Presentation

*Each team will act as both an entrepreneur and fund manager in an exercise designed to demonstrate their knowledge of both the investor's and entrepreneur's role in venture creation, fund raising and value creation.
To be graded with help from a panel of real investors.*

Required Reading:

Metrick, Andrew; Yasuda, Ayako. Venture Capital And The Finance Of Innovation. Venture Capital And The Finance Of Innovation, 2nd Edition, Andrew Metrick And Ayako Yasuda, Eds., John Wiley And Sons, Inc, 2010.

Feld, Brad; Mendelson, Jason. Venture Deals. Wiley, 2011.

May, John; Simons, Cal. Every Business Needs An Angel: Getting The Money You Need To Make Your Business Grow. Crown Business, 2001.

Gompers, Paul Alan; Lerner, Joshua. The Money Of Invention: How Venture Capital Creates New Wealth. Harvard Business Press, 2001.

Camp, Justin J. Venture Capital Due Diligence: A Guide To Making Smart Investment Choices And Increasing Your Portfolio Returns. John Wiley & Sons, 2002.

Byers, Thomas. Technology Ventures: From Idea To Enterprise. Mcgraw-Hill Higher Education, 2014.

Lerner, Josh; Leamon, Ann; Hardyman, Felda. Venture Capital, Private Equity, And The Financing Of Entrepreneurship. 2012.

Additional Reading Material:

Course/Module evaluation:

End of year written/oral examination 0 %
Presentation 25 %
Participation in Tutorials 20 %
Project work 25 %
Assignments 30 %
Reports 0 %
Research project 0 %
Quizzes 0 %
Other 0 %

Additional information:

Final Term Project 25%

Final Funding Presentation 25%

The Final term project will include two parts and be the culmination of the semester's learning objectives. The students will be divided into teams from the beginning of the semester and work on the project throughout the semester. Each team will be required to simulate two different roles: 1, an entrepreneur seeking funding, and, 2, a VC evaluating that request for investment.

On the 'final' day, teams will match up randomly to pitch their startup on the one hand, and evaluate a pitch on the other (obviously, to different teams).

A panel of outside entrepreneurs and investors will judge the performance of all teams and give guidance on the each team's project grades.

Classroom participation 20%

Classroom participation will be measured by their participation and involvement in the class. This is not a contest but a measure of their engagement in the classroom discussion. As I teach interactively by asking many questions, I take note and keep track of each student's engagement and participation in the classroom dynamic.

Cases, Weekly reading assignments and Quizzes 30%

Requirements: 80% attendance

Participation in class

Submission of all the assignments & 3 Case studies