

FINC-UB.0061

"Topics in Entrepreneurial Finance"

Spring 2014

Prof. Roy C. Smith
Mon/Wed 1100
KMEC ----

This is a broad-ranging course on financing startups, other small businesses and corporate restructurings through leveraged buyouts. Its objective is to give students an understanding of how financing from venture capital funds and angel investors finds its way to entrepreneurial ventures. The institutional investors' point of view has to be analyzed and understood but so too are the concerns of the entrepreneurs, who are usually disadvantaged by having to sell into a buyers market.

The course follows a basic framework for study and analysis consisting of (a) opportunity recognition, (b) valuation and terms of the financing, (c) executing (or adjusting) the business plan, and (d) harvesting the investment to create profits through IPOs or a sale of the business.

Entrepreneurial finance is not a science, with numbers to crunch to get a "solution" to problems. It is a practice of applying good judgments to make the most of limited opportunities and resources, and this process involves risk-taking under conditions of extreme uncertainty, skills, and intuition. Experience helps, but is no guaranty of success.

The course is heavily case oriented, with real-world cases (names shown in italics, they are all very different) to be studied beforehand and analyzed and discussed in class. The learning to be achieved in the course comes from these analyses and an understanding of what happened later, and why.

Students taking this course should have an interest in entrepreneurship, managing small companies or venture capital investments, and **BE PREPARED TO PARTICIPATE IN CLASS DISCUSSION.**

The approximate content (subject to change) and assignments are indicated below. (Case names are in italics).

1/27 Introduction
- *Billpay.com* (to be handed out in class)

1/29 VC: A Framework for Analysis
- RC Smith "The Entrepreneurs" from *The Wealth Creators*

- 2/3 Angel Investors
 - *US Cybersites*
- 2/5 The VC Industry
 - *Highland Capital Partners** (a)
 - RC Smith, "Managing Venture Capital Investments"
- 2/10 The Clean-tech Industry
 - *Highland Capital Partners**(b)
- 2/12 *Sungevity* – a solar panel startup
- 2/17 No Classes (President's Day)
- 2/19 *Solazyme* – a biofuel startup
- 2/24 *Zipcar** -- a new type of car rental business
- 2/26 *Rent-a-Runway** -- a rent-a-dress startup
- 3/3 *Vermeer Technologies** -- a Silicon Valley startup
- 3/5 Lecture: Venture valuations, term sheets
 - A. Damodaran, Valuing Companies with no Profits or Histories"
 - Term Sheet Glossary
- 3/10 *Hotmail** -- an early email startup
- 3/12 Midterm Exam
- 3/17 & 3/19 Spring Break
- 3/24 *Parenting Magazine** -- taking on a large corporate partner
- 3/26 Lecture -- Exits (IPOs & Mergers)
- 3/31 *ImmuLogic Pharmaceutical** -- a biotech startup
- 4/2 *RightNow Technologies** -- a sales management startup
- 4/7 *Tesla Motors** -- an electric car startup
- 4/9 *Nantucket Nectars** -- a bottled juice startup
- 4/14 Lecture -- Private Equity, LBOs

- RC Smith, "The Merger Wars"

4/16 *OM Scott** -- a grass seed LBO

4/21 *Burger King* – a corporate turnaround LBO

4/23 *Oriflame* – a going private LBO

4/28 Chinese deal* (TBD)

4/30 *Sirrom*, mezzanine finance for small and mid-sized businesses

5/5 *GSC Partners and Regal Cinema*, a bankruptcy workout case

5/7 Career opportunities in Entrepreneurial Finance*

5/12 Course review