

ENTREPRENEURIAL FINANCE

International MBA IMBA-EN SEP-2024 S-ENT

Area Entrepreneurship
Number of sessions: 15
Term: Concentrations
Category: regular
Language: English

Professor: **TORBEN ANTRETTER**

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Torben Antretter is the founder of RightNow, an award-winning legaltech startup that has been recognized by *Financial Times* as one of the fastest-growing companies in Europe in 2021 and 2022. In his role as CFO of RightNow, he has raised more than €45 million from leading venture capital (VC) and private debt investors. In 2020, *Forbes Magazine* listed him as “30 under 30”, thus considering him one of the most influential entrepreneurs in Europe. Torben is an active business angel who has invested in more than a dozen startups across Europe, mainly in the areas of fintech, legaltech, B2B SaaS, and artificial intelligence (AI).

He obtained his Ph.D. in Entrepreneurial Finance from the University of St. Gallen, Switzerland, where he explored the applicability of AI in VC investing. His research has been published in top-tier journals and he is a contributor to the textbook *Entrepreneurial Finance* by Cambridge University Press. Additionally, he serves as a member of the Harvard Business Review Advisory Council, an elite research community of professionals who provide insights to shape the content of the Harvard Business Review.

Office Hours

Office hours will be on request. Please contact at:

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SUBJECT DESCRIPTION

Entrepreneurial ventures often require some form of external funding to start and grow their businesses. Therefore, the topic of entrepreneurial finance is at the crossroads of entrepreneurship and finance, covering different ways how to fund innovative ideas. As such, entrepreneurial finance differs from corporate finance in many ways, including funding sources, funding process, investment monitoring, and harvesting.

In this class, students will act as startup investors and learn to analyze venture investment opportunities. By adopting an investor's view, students will be able to understand how the different aspects/features of a new venture project correspond with different types of investments. Students will not only learn about the concepts but will also apply them to a real investment case. As such, this course is valuable for those who plan to launch a new venture or start investing into startups, either as business angel or within the context of larger organizations.

LEARNING OBJECTIVES

In this class, students will develop a comprehensive understanding of all major topics across the entrepreneurial finance process. The main goal of the course is to enable students with methodologies, tools, and experiences to either make investments into startups or raise funding for their ventures in the future. Each session consists of a combination of proven frameworks and practical examples.

TEACHING METHODOLOGY

IE University teaching method is defined by its collaborative, active, and applied nature. Students actively participate in the whole process to build their knowledge and sharpen their skills. Professor's main role is to lead and guide students to achieve the learning objectives of the course. This is done by engaging in a diverse range of teaching techniques and different types of learning activities such as the ones shown below:

Readings

This class will integrate and discuss the following three case studies at different stages of the seminar. Details on the cases will be provided in the first session.

- Justice-as-a-Service at RightNow (HBS 820-117)
- Disrupting Justice at RightNow: Persevere, Pivot or Perish (HBS 821-027)
- Disrupting Justice at RightNow: Rich or King (HBS 821-028)

Above that, if students would like to read more on the individual topics of this class, the following textbook is recommended. However, it is not a prerequisite to read the textbook to participate in the class.

- Alemany, L. & Andreoli, J. (2018). *Entrepreneurial Finance: The Art and Science of Growing Ventures*. Cambridge: Cambridge University Press. ISBN 9781108421355.

Learning Activity	Weighting
Lectures	30.0 %
Discussions	10.0 %
Exercises in class, Asynchronous sessions, Field Work	10.0 %
Group work	40.0 %
Individual studying	10.0 %
TOTAL	100.0 %

AI POLICY

In this course, the use of generative artificial intelligence (GenAI) is encouraged, with the goal of developing an informed critical perspective on potential uses and generated outputs.

However, be aware of the limits of GenAI in its current state of development:

- If you provide minimum effort prompts, you will get low quality results. You will need to refine your prompts to get good outcomes. This will take work.
- Don't take ChatGPT's or any GenAI's output at face value. Assume it is wrong unless you either know the answer or can cross-check it with another source. You are responsible for any errors or omissions. You will be able to validate the outputs of GenAI for topics you understand.
- AI is a tool, but one that you need to acknowledge using. Failure to do so is in violation of academic honesty policies.

Suggested format to acknowledge the use of generative AI tools:

- I acknowledge the use of [AI systems link] to [specify how you used generative AI]. The prompts used include [list of prompts]. The output of these prompts was used to [explain how you used the outputs in your work].

If you have chosen not to include any AI generated content in your assignment, the following disclosure is recommended:

- No content generated by AI technologies has been used in this assignment.

PROGRAM

SESSION 1 (LIVE IN-PERSON)

Introduction to Entrepreneurial Finance

This session serves as a general introduction to the course, explaining everything from learning goals to grading criteria. Furthermore, this session covers the basics of entrepreneurial finance. First, students will learn about the similarities and dissimilarities between entrepreneurial finance and corporate finance and establish why venture capital is often required to start and grow entrepreneurial ventures. It will also cover the basic financial concepts to assess business models and venture capital returns.

Additional content on unit economics:

Article: At the Early Stage, Focus on Unit Economic Profitability, not Corporate Profitability (Medium) (Optional)

SESSION 2 (LIVE IN-PERSON)

Early Sources of Funding: Friends/Family, Incubators, Accelerators, and Crowdfunding

This session covers different sources of early-stage funding, specifically, incubators, accelerators, and crowdfunding. It discusses the advantages and disadvantages for entrepreneurs and reviews the added value that these sources offer compared to the more traditional means of raising capital.

SESSION 3 (LIVE IN-PERSON)

Early Sources of Funding: Business Angels

This session covers business angels (BAs), private individuals who invest their own money in early-stage ventures. It discusses the profile of BAs, their motivation, and roles within startup companies, as well as their investment process. It further highlights empirical evidence on BAs' investment returns.

SESSION 4 (LIVE IN-PERSON)

Venture Capital, Private Equity and Corporate VC

This session looks at VC and private equity funds as well as corporate VC initiatives as funding sources for startups that have reached the early growth stages. It covers the key attributes of VC funds as well as fund economics and how fund investors and fund managers make money.

SESSION 5 (LIVE IN-PERSON)

Alternative Financing Options

This session considers alternative ways of funding entrepreneurial ventures. Mainly, it looks at bootstrapping, i.e., self-financing startups, venture debt, revenue-based finance, and public sources of funding, including startup support programs, grants, and debt guarantees.

Additional content on alternative sources of funding:

Other / Complementary Documentation: Alternative Financing Options (resources.b2venture.vc)(Optional)

SESSION 6 (LIVE IN-PERSON)

Deal Sourcing and Screening

This session looks at how investors source their deals and how they screen them. It discusses a holistic screening framework and covers both rational and emotional aspects of the venture screening process, which can lead to biases influencing investment decisions.

Additional content on how to structure a fundraising pitch deck as entrepreneur:

Other / Complementary Documentation: Fundraising Pitch Deck (resources.b2venture.vc)(Optional)

SESSION 7 (LIVE IN-PERSON)

Startup Valuation

This session covers the art and science behind the financial valuation of startups. It first discusses why traditional valuation methods do not apply to startup companies and then provides pathways on how to put a price on an early-stage investment.

SESSION 8 (LIVE IN-PERSON)

Key Terms

This session considers the most important deal terms such as liquidation preferences, drag-along, vesting, etc., and discusses how to negotiate them with investors. Students will analyze example term sheets from leading VC funds and debate them from both the investor's and startup's perspectives.

Additional content on term sheets:

Other / Complementary Documentation: Round Terms and Term Sheets (resources.b2venture.vc)(Optional)

SESSION 9 (LIVE IN-PERSON)

Monitoring and Key Metrics

This session covers the tools investors use to monitor the evolution and growth of their portfolio companies. It covers key operational metrics for some of the most common business models, reporting best practices and the investor-investee relationship from both the investor's and startup's perspectives.

Additional content on investor reporting:

Other / Complementary Documentation: Investor Reporting (resources.b2venture.vc)(Optional)

SESSION 10 (LIVE IN-PERSON)

Corporate Governance

This session assesses the key activities to manage and monitor the potential divergence of interests between investors and entrepreneurs. From the investor side, it looks at how investors use board seats and legal terms to decrease moral hazard risk; from the entrepreneur side, it discusses how entrepreneurs can use stock option programs to incentivize key employees.

Additional content on startup governance:

Other / Complementary Documentation: Governance (resources.b2venture.vc)(Optional)

SESSION 11 (LIVE IN-PERSON)

Exit

This session discusses exit opportunities available to successful entrepreneurs, considering in-depth the topics of trade sales and Initial Public Offerings (IPOs). It discusses exit intentions, pros and cons of different exit channels as well as the process of selling a startup.

SESSION 12 (LIVE IN-PERSON)

Impact Investing

This session looks at the growing trend of impact investing. It discusses ways to measure societal and/or environmental impact in a venture capital investment strategy and how the investment process of impact investors differs from traditional venture investors.

SESSION 13 (LIVE IN-PERSON)

Future of Entrepreneurial Finance

This session concludes with some trends and future developments in entrepreneurial finance, most notably, the application of AI in venture investing. Specifically, it discusses several predictions on how the venture capital landscape may change over the next five to ten years.

Additional content on data-driven venture capital:

Other / Complementary Documentation: datadrivencv.io(Optional)

SESSIONS 14 - 15 (LIVE IN-PERSON)

Final Presentations

Case presentations: each team will have to present their investment memorandum for a real startup that will be provided by the professor. Students will analyze the case as if they were members of the VCs' investment team. They will conclude with a recommendation to invest or not in the startup. The presentation will be followed by a Q&A with the jury.

The presentation of the investment memorandum should include all relevant aspects such as an executive summary as well as financial, management team, and business due diligence. Details on the presentations will be discussed in the first session.

EVALUATION CRITERIA

This course is designed to assess your performance based on the quality of your work and your active participation. There are varying levels of excellence in meeting the course requirements. Like how an investor evaluates different proposals, the professor will evaluate students' work in comparison to their peers and assign grades accordingly.

- The Class Participation will be evaluated by how much "content of value" the student adds to the group. In other words, it is not only about the quantity of participation but especially about the quality of each student's contribution. Simple answers are not worth as much as synthesizing topics or starting value-adding debates with classmates by sharing their experiences and challenging others' views.
- The Individual Work corresponds to individual assignments that will be discussed in the first session;
- The Group Work corresponds to a maximum 10-page written report for the Investment Committee that is due on the day of the Group Presentation;
- The Group Presentation refers to the final presentation where students present the findings of their analysis in the final session of the class.

criteria	percentage	Learning Objectives	Comments
Class Participation	25 %		
Individual work	25 %		
Group Work	25 %		
Group Presentation	25 %		

FAILING GRADE AND REASSESSMENT

When students receive a Fail in a course, they have the opportunity to present themselves for reassessment in order to earn the necessary credits toward graduation.

The reassessment of students should be scheduled between 5 and 10 working days after the review session takes place.

Grades for the reassessment are limited to a Low Pass and Fail.

Both, the initial Fail as well as the grade of the reassessment remain on the transcript. For the purpose of calculating the GPA however, only the grade of the reassessment is to be considered. Students receiving a failing grade in the reassessment of a course will not be able to continue in the program.

BIBLIOGRAPHY

Recommended

- Alemany, L. & Andreoli, J.. (2018). *Entrepreneurial Finance: The Art and Science of Growing Ventures..* Cambridge University Press.. ISBN 9781108421355
(Printed)

BEHAVIOR RULES

Please, check the University's Code of Conduct [here](#). The Program Director may provide further indications.

ATTENDANCE POLICY

Please, check the University's Attendance Policy [here](#). The Program Director may provide further indications.

ETHICAL POLICY

Please, check the University's Ethics Code [here](#). The Program Director may provide further indications.

