

# Finance 651: Entrepreneurial Finance and Venture Capital

Manuel Adelino

[manuel.adelino@duke.edu](mailto:manuel.adelino@duke.edu)

## Teaching Assistants:

Ethan Forman [ethan.forman@duke.edu](mailto:ethan.forman@duke.edu)

Stanley Lesy [stanley.lesy@duke.edu](mailto:stanley.lesy@duke.edu)

Diego Villasante [diego.villasante@duke.edu](mailto:diego.villasante@duke.edu)

Yilan Zheng [yilan.zheng@duke.edu](mailto:yilan.zheng@duke.edu)

## Class time / location:

Section 1: M-Th, 8:00am, Sauer

Section 2: M-Th, 10:15am, Sauer

Section 3: M-Th, 4:00pm, Sauer

## Materials

The only course materials are a course packet containing the cases that we will discuss in class. I will make supplemental materials such as handouts to accompany lecture notes available at the end of each lecture on Canvas.

## Course Description

This course is designed to introduce students to the challenges and pitfalls of financing new enterprises, including issues of access to capital for entrepreneurs in different demographics. We will mostly use the case method, but I will supplement this approach with lectures when appropriate.

Broadly speaking, we can think of entrepreneurial financing decisions in terms of a life cycle. The cycle begins with identifying opportunities, moves to marshaling resources to take advantage of these opportunities and executing the business plan, and ends with harvesting the venture's success. Accordingly, the course will touch upon three broad areas:

- Identifying and Valuing Opportunities: Will this idea make or lose money? What must happen for this venture to succeed? Are these people the right people for the job? This section will focus on identifying good ideas, separating them from bad ideas, and in general, valuing the asset side of the balance sheet.

- Financing Alternatives: Which sources of funds offer the most attractive terms? This section will focus on the liabilities and net worth side of the balance sheet, and will study how various financial contracts affect the incentives of financiers and entrepreneurs. We will also focus on alternative financing vehicles, such as joint ventures, and strategic alliances. When we explore alternative financing vehicles, the emphasis will be on the costs and benefits of partnering with strategic investors relative to seeking standard VC financing.
- Harvesting Opportunities: How do entrepreneurs and early stage investors exit their investments so that they can move on to the next opportunity?

### Course Requirements

This course will require substantial preparation. I expect students to actively participate in the class, including being ready to open the case and provide meaningful contributions to the discussion. You will also be required to:

- Submit 4 group write-ups + 2 individual write-ups (short write-ups, graded pass-fail).
- Submit a final project.

Your grade will be determined by class participation (20%), your case write-ups (50%), and the final project (30%). The case write-up and the final project grades may be adjusted based on your team members' evaluation at the end of the term.

### Cases

I will provide study questions for each case. The study questions are often vague. This is intentional: being presented with vague questions is great life preparation.

- Write-ups should use the Word document template provided on Canvas for each assignment and limit the number of words and tables to the maximum for each case. Please do not include your name in the Word document itself.
- Cases will be graded based on quantitative calculations and qualitative analysis. You should address the suggested questions directly as if they were posed by an investor or a CFO. Recommendations should be supported using case data. Cases will receive a grade of 1, 2 or 3 (3 being the highest) based on the clarity of the exposition, soundness of analysis, and evidence of effort.
- Group structure:

- Students may work in groups of up to 5 students. There are no exceptions to this rule. Groups should give preference whenever possible to including students in the same section.
- Please create the teams using the Team Builder tool. This tool is available through FuquaWorld.
- Group diversity: When forming your team, please ensure your team is diverse (in terms of demographics such as gender or race or ethnicity, class year, etc.).
- You will evaluate your team members at the end of the term. This evaluation may affect each individual's group case and final project grades.
- Write-ups for a particular case must be turned in online in Canvas by 8am of the day in which that case is discussed. Cases turned in after this time will not be accepted. If you cannot upload your case for technical reasons, please email me your write-up by this time.

### **Final Project: Unicorn or Unicorpse?**

In this final group project you are required to evaluate a startup currently defined as a unicorn according to this list: <https://www.cbinsights.com/research-unicorn-companies>. Please submit a 4 page write-up (plus attachments) and prepare a 10 minute (4 slide) presentation. The deadline for uploading the final project on Canvas is the morning of Class 11 (see below) at 8am. You should email me your choice of company by 9pm on the day of Class 6 (see below).

## Schedule

Date	Class No.	Topic	Assignment due (8am)	Other
3/20/2023	1	Introduction	-	
3/23/2023	2	Valuation methods for startups	-	
3/27/2023	3	Strava (HBS 9-814-055)	Group	
3/30/2023	4	Smartix (HBS 9-808-116)	Individual, 1 page	
4/3/2023	5	Athleta (HBS 9-803-045)	Group	
4/6/2023	6	Options and Strategic Flexibility	-	Email choice of final project company by 9pm.
4/10/2023	7	Fast Ion (HBS 9-815-025)	Group	
4/13/2023	8	Avid Pharma (HBS 9-809-086)	Individual, 1 page	
4/17/2023	9	Dianex	-	
4/20/2023	10	RightNow Technologies (HBS 9-805-032)	Group	
4/24/2023	11	Final projects	Final write-up and presentation	
4/27/2023	12	Final projects		

## Fuqua Classroom Norms

### Promptness

- Classes will start on time and end on time; breaks will end at the time specified. Students should be in their seats and prepared for class discussion *before* class starts and *before* the break ends.
- Always bring your name tent.
- Some classes have handouts and/or require you to turn in an assignment before class starts. You should arrive in time to pick up a handout at the front of the class or turn in an assignment. Don't walk to the front once class has started.
- If you arrive late, take a seat at the back of the classroom so as to avoid disturbing others. It is fine to move into a better seat at the break.

### Courtesy—in general

- Don't leave the classroom while class is in session. Wait until a break or until class ends. If you are ill, or awaiting news because of a family emergency, let the instructor know before class and sit at the back of the classroom.
- All electronic devices should be turned off during class. If you need to be in touch because of a family emergency, let the instructor know before class and keep your device on vibrate.
- Eat before you come to class; beverages are okay.
- Clean up after yourself and others.

### Courtesy—class discussion

- During the class discussion:
- Listen carefully: to the professor, to your classmates.
- Raise your hand when you want to speak and wait to be acknowledged by the professor
- Do not interrupt someone else who is speaking.
- If someone else makes the comment you planned to make, put your hand down. Don't repeat a comment someone else has already made.
- Be respectful of others' comments and ideas.

### Preparedness

- Come to class having completed all the assigned readings, cases, and other assignments.
- Bring all the necessary class materials with you to class including cases, readings, and an extra copy of your assignment (if one is due).
- Cold calls are fair game, though it is better if you initiate the discussion.