Venture Capital

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- Introductions
- What is venture capital ?
- Why VC ?
- Types of Funding
- Process
- What VC’s look for ?
- Exit Strategy

Where do I get money from ?

- To start new business ?
- Grow Business
- Put a new factory
- Revive a dying company

Possible Sources :Non - Equity

- Personal funds
- Personal debts
- Grants and awards
- Business loans
- Joint ventures

What is Venture Capital ?

- It is the business of employing capital 'patiently' to 'maximize returns' while managing risks in a relatively high-risk venture versus Simply 'minimizing risks' for a surer fixed return

- **Venture capital** (**VC**) is financial capital provided to early-stage, high-potential, high risk, growth startup companies. The venture capital fund makes money by owning equity in the companies it invests in, which usually have a novel technology or business model in high technology industries, such as biotechnology, IT, software, etc

- venture capital is attractive for new companies with limited operating history that are too small to raise capital in the public markets and have not reached the point where they are able to secure a bank loan or complete a debt offering.
- In exchange for the high risk that venture capitalists assume by investing in smaller and less mature companies, venture capitalists usually get significant control over company decisions, in addition to a significant portion of the company's ownership.

- Venture capital is money provided by an outside investor to finance a new, growing, or
- troubled business. The venture capitalist provides the funding knowing that there’s a
- significant risk associated with the company’s future profits and cash flow. Capital is
- invested in exchange for an equity stake in the business rather than given as a loan, and
- the investor hopes the investment will yield a better-than-average return.

- A venture capitalist is not necessarily just one wealthy financier. Most VCs are limited partnerships that have a fund of pooled investment capital with which to invest in a number of companies

- Keep in mind that venture capital is not an option for all new businesses. In fact, VCs are very selective in choosing new companies to invest in, so your company may not qualify.
- They're most interested in businesses with high growth potential that will allow them to successfully exit with a higher than average return in a time frame of roughly three to 10 years, depending on the type of investment.

- There are some excellent alternatives to venture capital that you should also explore in your search for funding sources. One such alternative is an **angel investor**

- **angel investor** –

a term for an investor that takes you under its wing and lifts you up to the next level of growth.

- Angel investors typically do not have deep pockets so the average investment tends to be smaller than that of a VC, typically hundreds of thousands of dollars rather than millions.

- You might also consider a **strategic investor** partner in place of a VC investment.

- This could be a vendor, customer, or other business partner with whom you’re currently working, who might be interested in investing in your company

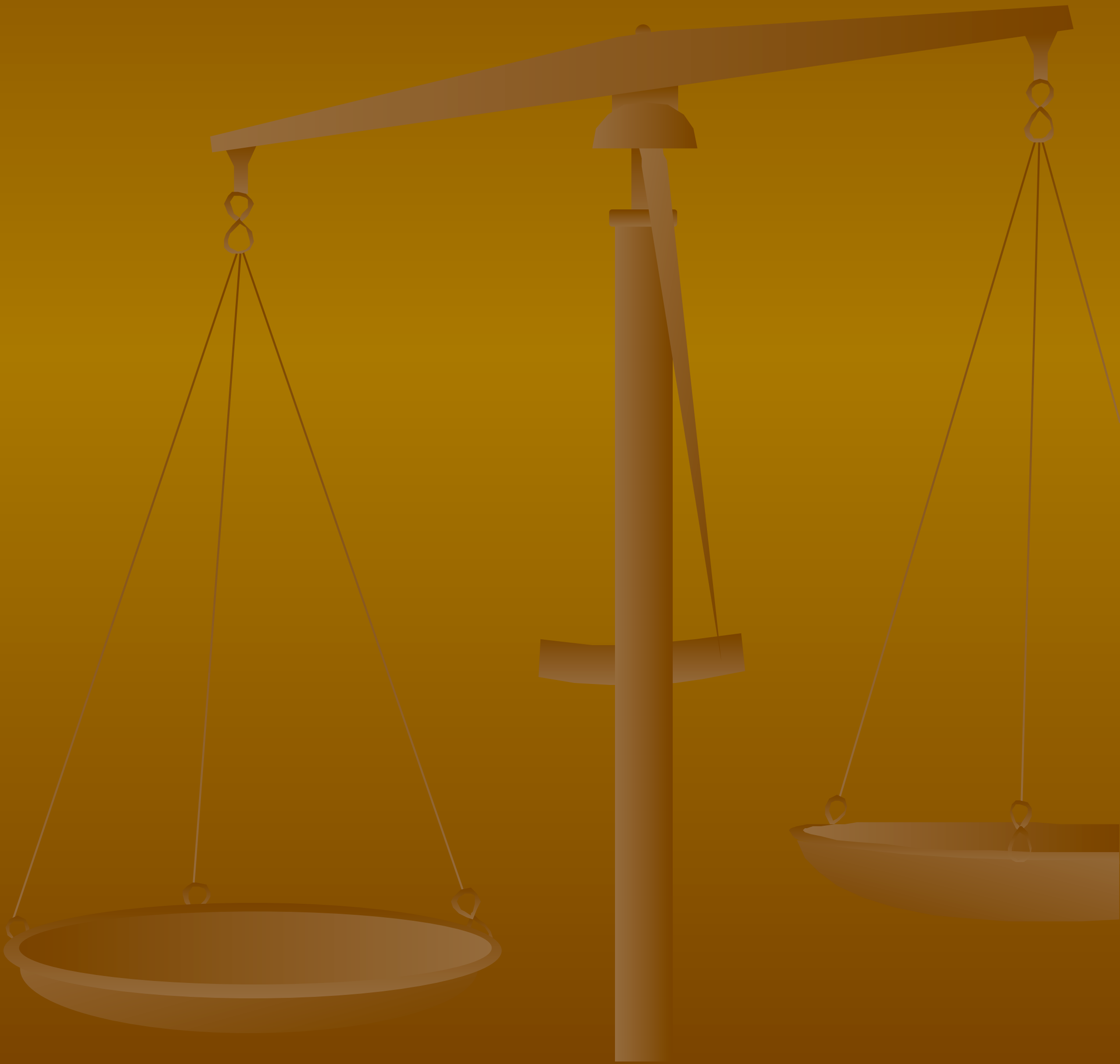
- A strategic investor often has deeper pockets than an angel investor, but typically has a specific reason for investing in your company – make sure you know the reason behind the investment.
- investor may only want to leverage your technology for its own purposes, which could have a negative impact on your business.

Why it is better than other sources ?

- Spirit of partnership
- Risk –Reward Sharing
- Active participation and value addition
- Long term perspective
- Investment and not assistance
- Return linked to performance
- Expects high returns

Who becomes VCs ?

- Individuals
- Corporations
- Private firms



How a VC company runs ?

- General partners manage the fund
- Capital comes from institutional "limited partners"
- GPs get an annual fee
- Once LPs get investment back GPs get a portion of profit
- LPs get the remaining profits

When will VCs Fund ?

- Seed Capital

  only idea

  no product

  small amount

  -- capital used

    market research

    sample product

    set up costs

Startup Capital

- Product development completed
- Sample is already available
- Initial marketing has been done
- <2 years

Early Stage

- 2-3 years in business
- Management in place
- Sales in rise
- VC could increase sales
- Improve productivity
- Improve efficiency

Expansion capital

- Company is established
- Next level of growth
- Enter new markets
- Specialized VCs

Late Stage

- Impressive sales and revenues
- Profitable
- Second level of management
- Capacity increase
- Ramp up marketing

Let s revise once …..

What is venture capital?

- Venture capital provides long-term, committed share capital, to help unquoted companies grow and succeed
- If an entrepreneur is looking to start-up, expand, buy-into a business, buy-out a business in which he works, turnaround or revitalize a company, venture capital could help do this.

What kind of businesses are attractive to venture capitalists?

- Venture capitalist prefer to invest in "entrepreneurial businesses".
- This does not necessarily mean small or new businesses.
- . Rather, it is more about the investment's aspirations and potential for growth, rather than by current size

For how long do venture capitalists invest in a business?

- Venture capital firms usually look to retain their investment for between three and seven years or more

Where do venture capital firms obtain their money?

- They raise their funds from several sources
- Most UK venture capital firms raise their funds for investment from external sources, mainly institutional investors, such as pension funds and insurance companies.