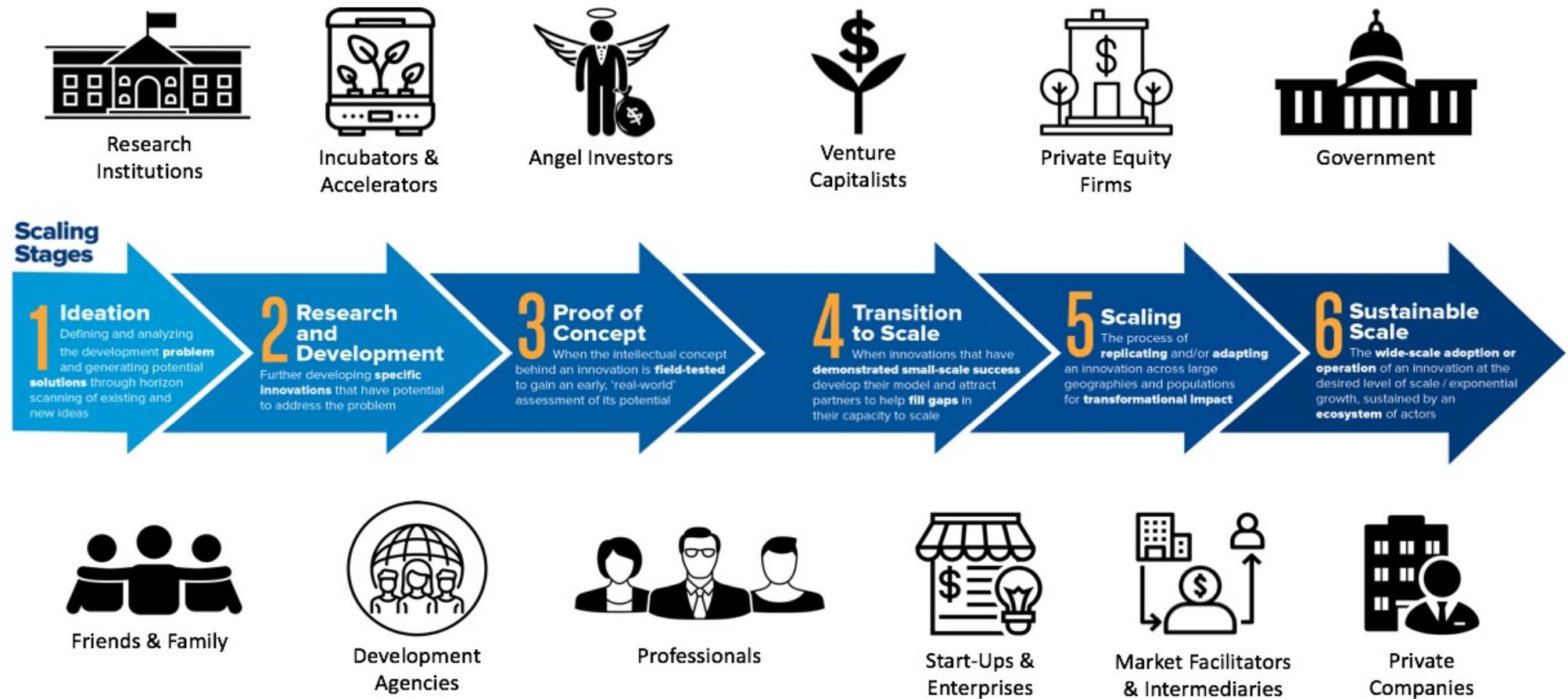


Relations with investors

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ENTREPRENEURIAL ECOSYSTEMS



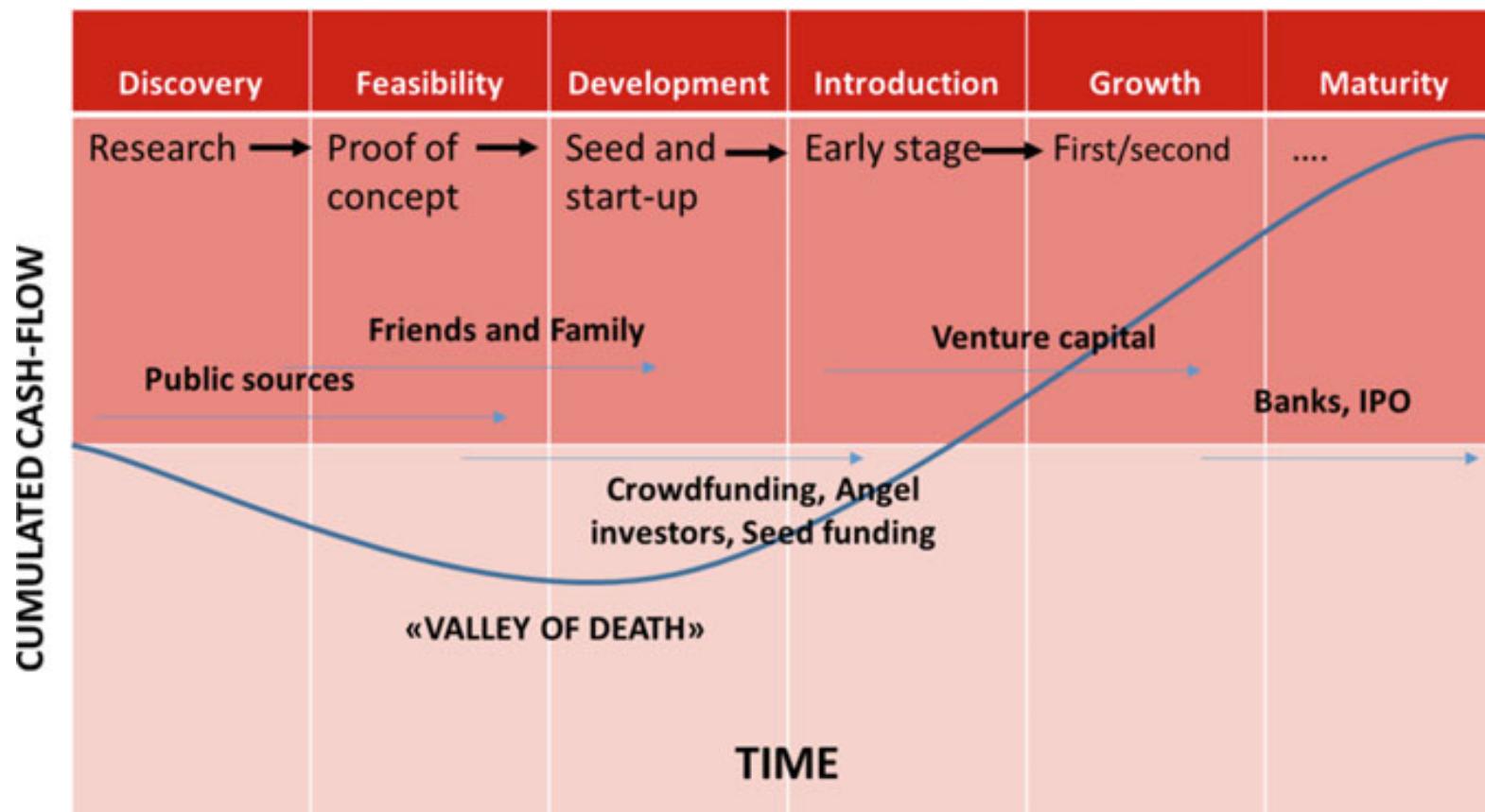
Source: www.idiainnovation.org

INVESTORS

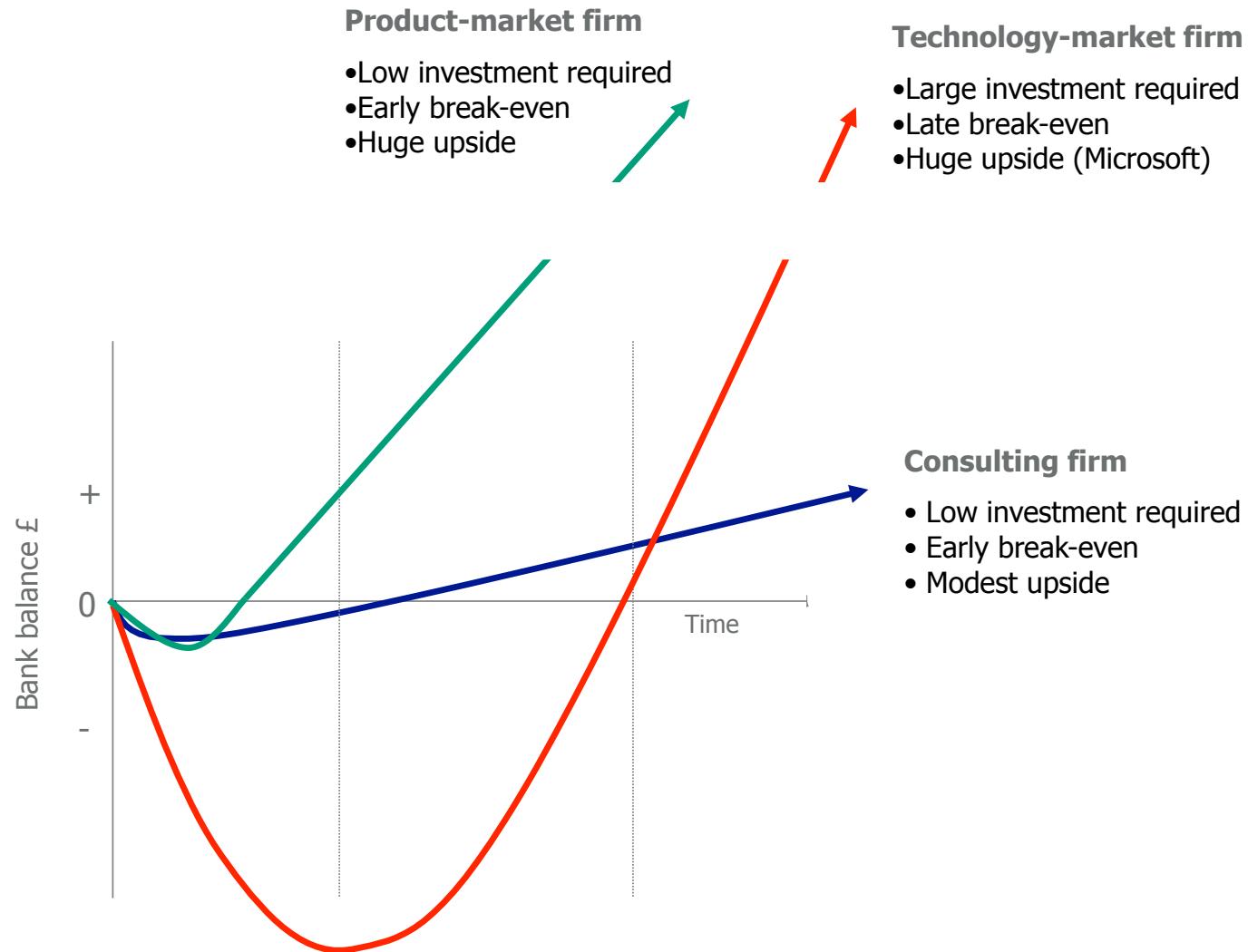
- **Professional investors are very difficult to persuade:**
 - No track record
 - No reputation
 - No revenues
 - No credentials
- **The most common source of funding for new entrepreneurs are informal:**
 - Personal resources
 - FFF (Friends, Family and Fools)

1. **Stage of development** of your business (seed, early-stage, late-stage, ...)?
2. **Type of business** (product firm, technology firm, consulting firm)?
3. Rate at which your business will consume cash (the **burn rate**) and when you will run out of cash (in or out the valley of death)?
4. Your **attitude** towards growth and sharing ownership and control (bootstrapping, debt financing, equity financing)?

Different investors during the lifecycle of a new venture



Source: Munari, Toschi, 2018



Personal Funds

1. Bootstrapping
2. Personal Funds
3. Friends and Family

Equity Capital

1. Business Angels
2. Venture Capital
3. Corporate Venture Capital

Debt Financing

1. Commercial Banks

Other Sources

1. Government support
2. Crowdfunding



Who finances a new venture

- **The term is attributed to Rudolf Erich Raspe, author of Baron Munchausen**
 - The protagonist uses his shoelaces to get himself out of a swamp.
- **Bootstrapping is do more with less**
 - The scarcity of resources promotes discipline parsimony 'that becomes an integral part of corporate culture (imprinting)
 - Forces a more prudent management (every mistake can be fatal)
 - Creates confidence
- **Bootstrapping stimulates creativity**
 - Utilizes unused opportunities that can be found within your own company by simply managing your finances better.
- **Bootstrapping is commitment**
 - Instills a discipline of sacrifice, which is essential to address difficulties
- **Bootstrapping is networking**

- Hire young, inexperienced, affordable team members with talent and energy.
- Surf the Internet to get information.
- Don't hire employees until you absolutely have to.
- Seek ways to motivate employees without money.
- Speed up customer payments using discounts on early sales of the product.
- Slow down supplier payments by negotiating supplier credit.
- Leverage purchasing discounts.
- Get customers involved in the business.
- Buy used, cheap equipment for internal company use.
- Keep operating expenses as low as possible.
- Use emails (avoid ordinary mail).
- Work from home as long as possible.
- Barter for media time, services and products.
- Put resources into things that make money rather than using money.

| Player | Debt/Equity | Goal | Approach | Target |
|---------------------------------|-------------|--|--|-----------------------------------|
| Accelerators/ Incubators | Debt/Equity | Financial, strategic, political | Active | Early stage start-up |
| | | | No financial support | |
| Angel networks | Equity | Financial | Active | Early stage start-up |
| | | | Management support, training, network | |
| Crowdfunding | Debt/Equity | Financial, social, product-related | Passive | Early stage start-up |
| | | | None | |
| Corporate Venture Capital | Equity | Financial, strategic, technological | Active | Early and later stage start-up |
| | | | Management and technology support | |
| Governmental Venture Capital | Debt/Equity | Financial and governmental | Passive Little support | Early and later stage start-up |

Source: <https://unicorn-insights.com/what-does-the-term-entrepreneurial-finance-mean/>



| Player | Debt/Equity | Goal | Approach | Target |
|--|---------------|----------------------------------|-----------------------------|--|
| IP-based investment funds | - | Financial | Passive | Patents |
| | | | No support | |
| IP-backed debt funding | Debt | Financial | Passive | IP-based start-ups and established mid-sized firms |
| Mini bonds | Debt | Financial | Passive | Established mid-sized firms |
| Social Venture Capital | Debt/Equity | Financial and social | Active | Social ventures |
| | | | Management support, network | |
| Proof of concept funds and University-seed funds | Mostly equity | Financial and university-related | Active | Academic and student start-up |
| | | | Management support, network | |
| Venture debt funds | Debt | Financial | Passive | Later stage start-up |
| | | | No support | |

Source: <https://unicorn-insights.com/what-does-the-term-entrepreneurial-finance-mean/>



- **Features**
 - Up to € 500,000
 - Companies do not particularly complex
 - Technical resources not high
 - Investments undiluted
 - Negotiations faster and more oriented to people that initiative
 - Help the entrepreneur also informally
 - Scarce technical resources
 - Horizon too short



- **Criteria for selection**
 - Interest in the sector in which the company operates
 - Confidence in the "curriculum" of promoters
 - Easily access to the head location
 - Affinity with entrepreneurs
 - Prospects for market growth
 - Funding requests are not too high
 - Willingness to sell a stake of between 10% and 40%

- **IBAN (Italian Business Angel Network)**
- **IAG (Italian Angel for Growth)**
- **Business Angel for Growth**

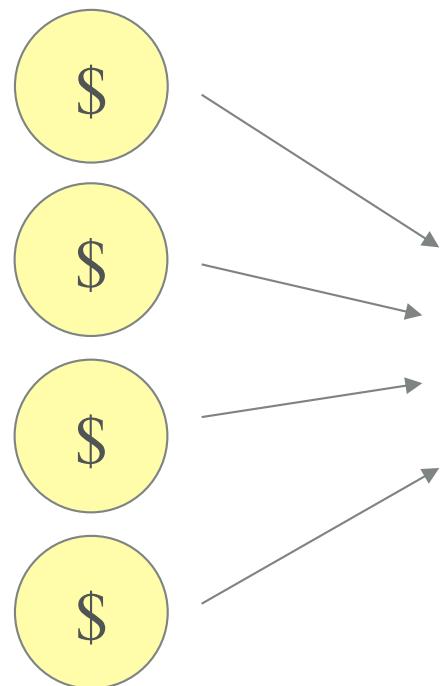
- **Features**
 - Up to € 20.000.000
 - Complex enterprises
 - High technical resources
 - Investments diluted in time
 - Complex negotiations with high formality
 - Assistance in recruitment
 - They become partners with significant participations
 - Require you to be able to address the firm

- **Criteria for selection**
 - Real potential to become leaders
 - Availability of management resources
 - Existence of a strategic vision based on specific competitive advantages
 - Valuation of the investment company
 - Not marginal investment by promoters
 - Plan of business development convincingly and effectively with the ability to produce credible positive cash flows in a few years

- **360 Capital Partners** (Digital /Deep Tech, early stage)
- **CDP Venture Capital SgR**
- **EUREKA! Venture SgR** (Deep tech / ricerca, Seed- Startup)
- **Fondo Italiano d'Investimento SGR** (Later stage)
- **Innogest SGR** (Digital / Deep tech /Life science, Startup)
- **LVenture Group** (Seed - Startup)
- **MITO Technology** (Seed - Startup)
- **P101** (Digital)
- **Primo Venture**
- **Principia SGR** (Startup – Later stage)
- **RedSeed Ventures** (Generalist)
- **Sofinnova Partners** (Generalist)
- **United Ventures** (Digital/Deep tech)
- **Venture Factory** (Seed - Startup)

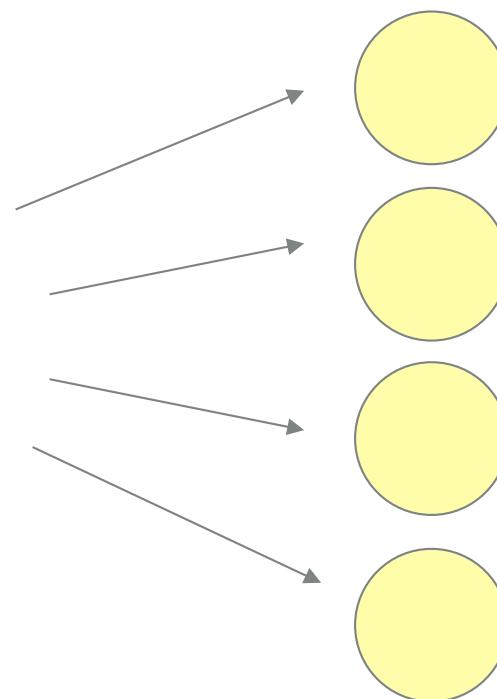


Investors

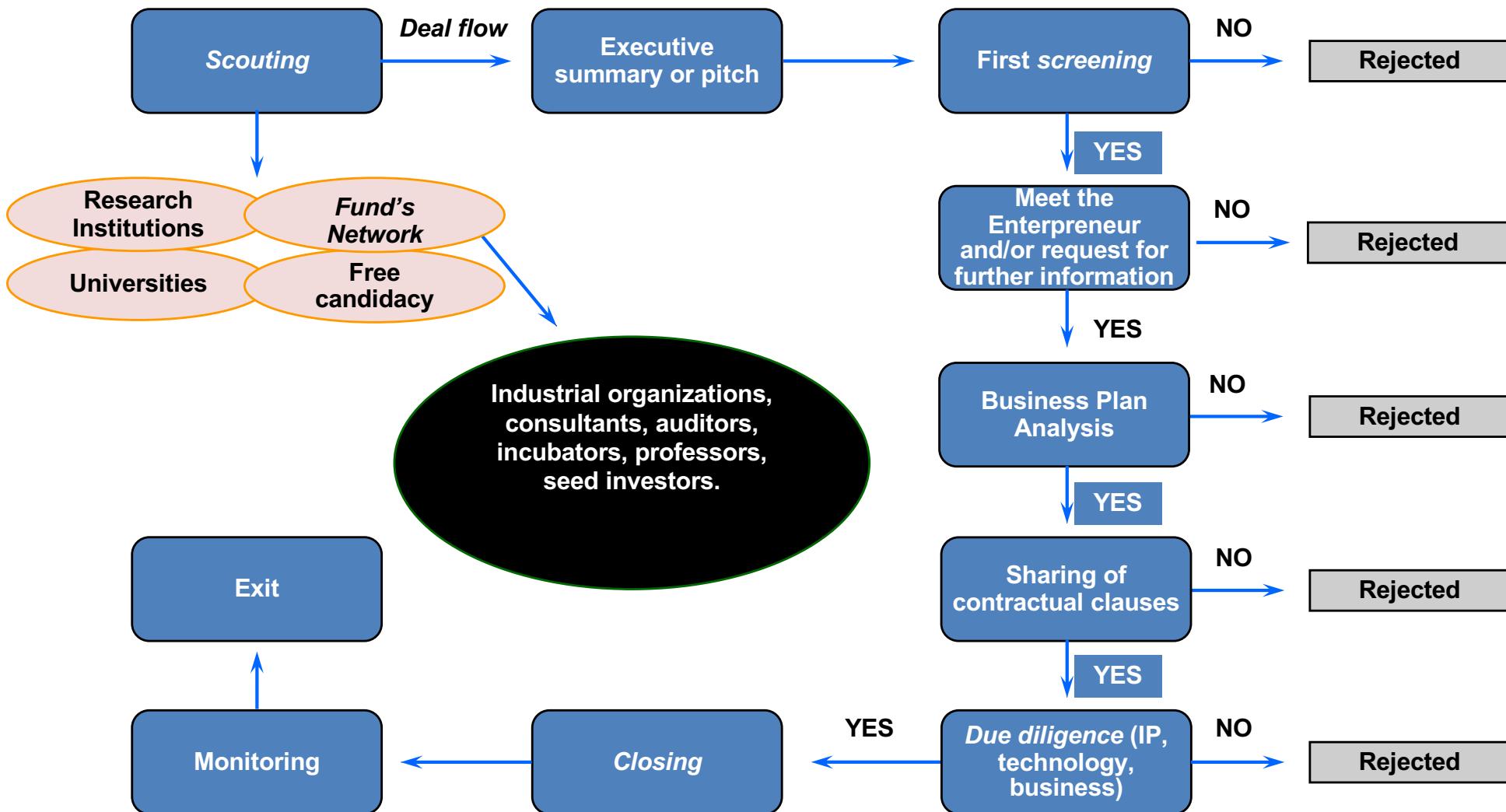


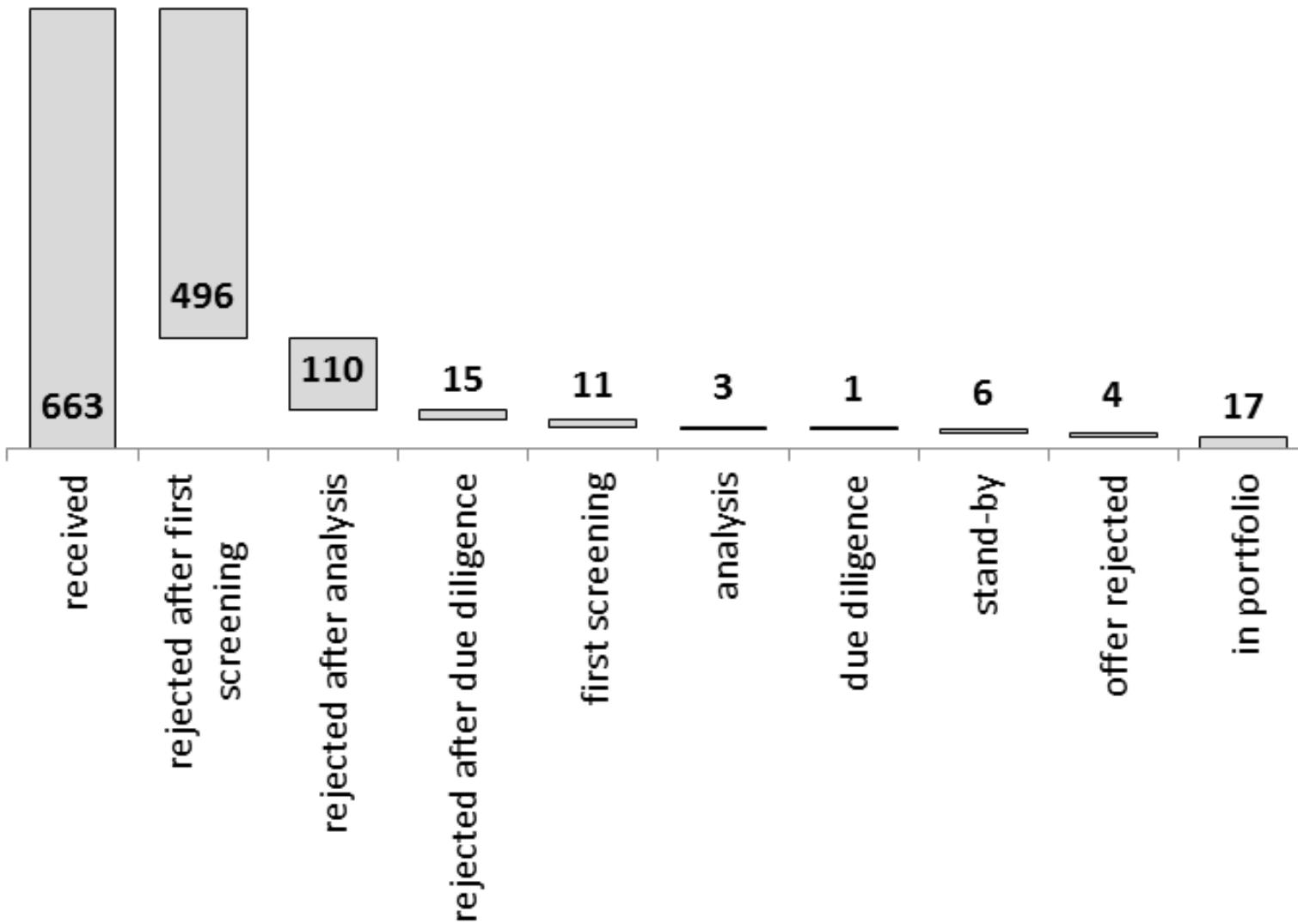
e.g. Investment banks,
pension funds, wealthy
individuals

Investee firms



e.g. Amazon.com, e-
trade...





- **Features**

- Up to € 50.000.000;
- Complex enterprises that integrate into their strategies;
- High technical resources
- Investments diluted in time;
- Complex negotiations with high formality;
- Provide managerial skills
- They can fuel conflicts in the supply chain;
- Risk of opportunistic behavior

- **Edison SpA** (Milano)
- **Enel** (Roma)
- **Iren SpA** (Reggio Emilia)
- **Leonardo SpA** (Roma)
- **Neva Finventures** (Torino)
- **Poste Italiane** (Roma)
- **Reale Mutua Assicurazioni** (Torino)
- **Sella Ventures** (Biella)
- **TIM Ventures** (Roma)

Google's financing sequence

| Investor | Year | Volume (USD) |
|---------------------------------------|------|-------------------|
| Sergey Brin and Larry Page (founders) | 1998 | Credit card limit |
| Andy Bechtolsheim (business angel) | 1998 | 100,000 |
| Friends and family | 1998 | 900,000 |
| Venture capital | 1999 | 25,000,000 |
| IPO | 2004 | 1,670,000,000 |
| Markt capitalization (February 12) | 2008 | 162,080,000,000 |

Sources: Bygrave und Quill, Google, 2007

5



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| Share price \$ | Time | Funding source |
|----------------|----------|---------------------------------|
| 0.001 | Jul 1994 | Founder \$10k + loan \$44k |
| 0.171 | Feb 1995 | Family \$245.5k |
| 0.333 | Aug 1995 | Business Angel \$54.4k |
| 0.333 | Dec 1995 | Business Angel syndicate \$937k |
| 0.333 | May 1996 | Family \$20k |
| 2.341 | Jun 1996 | Venture Capital \$8m |
| 18.00 | May 1997 | IPO 49.1m |
| 51.11 | Dec 1997 | Loan \$75m + bond \$326m |
| ... | ... | |
| 250.87 | Dec 2012 | Bond \$3 bill |

Wall street journal, Nov. 26, 2012



1. Market

- In which sector do you operate?

2. Technology

- Which is the value proposition of your business?

3. Business model

- Which is the value proposition of your business?

4. Team

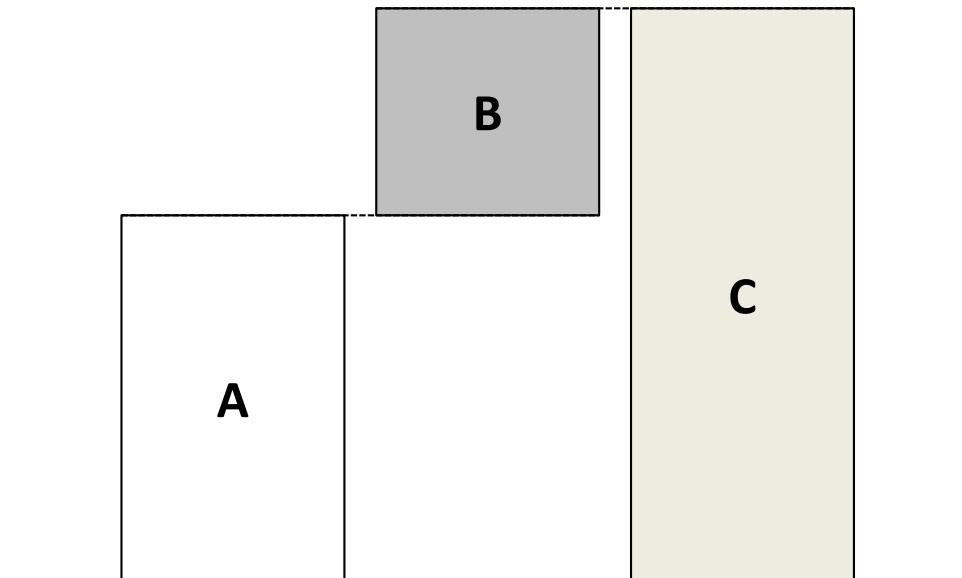
- Who are the members of the team? Background? Experience? Composition?

5. Financial indicators

- More of a “credibility test”

6. Exit route

- How can the investor get out? When? How much will it be worth?



A = estimated value of the company as it stands prior to any purchase of equity (PRE-MONEY VALUATION)

B = invested/required money

C = valuation after the investment of capital (POST-MONEY VALUATION)

B/C = investors' share

Pre-money Valuation + Invested Capital = Post-money Valuation

- The VCs evaluation criteria essentially boil down to one aspect:

The risk-reward trade-off

- How big the win could be?
- What are the chances of success?
- How much time and capital will it take to get there?



From the lab to the stock market? The characteristics and impact of university-oriented seed funds in Europe

Federico Munari · Martina Pasquini · Laura Toschi

© Springer Science+Business Media New York 2014

Abstract This work investigates the role of university and PRO-oriented seed funds (USFs)—VC funds with an explicit mission to make investments in academic spin-offs and support technology transfer—as instruments for addressing funding gaps and facilitating the commercialization of academic technologies. We first offer an overview of USFs in Europe, highlighting their heterogeneity and principal characteristics. Second, we exploit a unique data set of 1,497 start-ups (including 733 USF-backed start-ups and another 764 start-ups backed by other VC funds) to analyze how USF-backed companies perform in terms of exit rates, staging, and syndication levels when compared with non-USF-backed companies. Empirical evidence suggests that USF-backed companies perform better in staging and syndication but worse in exit rates. Moreover, our analyses show that, within the group of USF-backed companies, the ones that can attract more follow-on funding and investors are those financed by USFs that are internally managed by a universities/PROs and are linked to universities with high scientific rankings.

Keywords University-oriented seed funds · VC investments · University technology transfer · Funding gap · Academic spin-offs

Financing technology transfer: assessment of university-oriented proof-of-concept programmes

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ABSTRACT

This study analyses the characteristics of the proof-of-concept (POC) programmes initiated by university and public research organisations in Europe, as a mechanism to address funding gaps and improve the transfer of research-based inventions to markets. We contribute to the literature on investment readiness of new ventures and on financing technology transfer by assessing the structure of such funding instruments and identifying critical success factors for their design and implementation. The analyses rely on seven in-depth case studies of university-oriented POCs in Europe.

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KEYWORDS

Proof-of-concept
programmes; university;
technology transfer; Europe



Assessing the impact of public venture capital programmes in the United Kingdom: Do regional characteristics matter?



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ABSTRACT

This article analyses whether and how the impact of publicly backed venture capital (VC) funds varies across regions, depending on their level of innovation intensity and in comparison with private VC funds. Building on agency and human capital theories, the authors distinguish public VC funds into regional and governmental types, to assess potential differences in the performance of their portfolio companies. The analyses rely on a sample of 628 VC-backed companies in the United Kingdom during 1998–2007, and they confirm that regional characteristics matter for rigorous assessments of the effectiveness of public VC programmes.

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- **Varies** between countries and regions.
- **Several sources** of government support:
 - Co-investment (government fund invests together with private investors)
 - Risk sharing (in case of losses) – e.g. loan guarantee schemes
 - Fiscal measures – e.g. tax incentives, R&D tax credit
 - Incubation structures
 - Grants – e.g. R&D grants

The identity of social impact venture capitalists: exploring social linguistic positioning and linguistic distinctiveness through text mining

[Open access](#) | Published: 11 July 2022

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[Laura Toschi](#), [Elisa Ughetto](#) & [Andrea Fronzetti Colladon](#) 

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Abstract

Impact investing is gaining momentum as an investment practice that optimizes both financial and social outcomes. However, the market is still in its emerging stage, and there is ambiguity regarding the definition of players and practices. In this paper, we adopt an investor identity perspective and use a linguistic approach to explore how social impact venture capitalists (SIVCs) communicate their identities and actions to their external stakeholders. Through a text mining analysis of the websites of 195 investors worldwide, our results reveal four types of investors who differ in terms of their social linguistic positioning and linguistic distinctiveness. Finally, by training a tree boosting machine learning model, we assess the extent to which the use of different linguistic styles is associated with website traffic.



- **Collective effort** of individuals who network and pool their resources, usually via the Internet, to support projects initiated by other people or organizations.
- **Benefits:**
 - Scale your own network of family and friends
 - Connect with professional investors outside your own network
 - Less risk for investors
 - More transparency and information available
 - Boost sales due to extensive marketing and social media campaign

| Type of CF | Form of contribution | Form of return | Motivation of funder | Example |
|-------------|--------------------------|--|--|-------------------------------------|
| Donation | Donation | Intangible benefits (doing/feeling good) | Social motivation | RocketHub, Symbid, GiveForward |
| Reward | Donation Pre-purchase | Non monetary reward (t-shirt, prototype) | Social motivation and desire of reward | Kickstarter, Sell A band, Indiegogo |
| P2P Lending | Loan | Repayment of loan with interest | Financial reasons | PPdai, Prosper, LendingClub |
| Equity | Investment | Return on investment | Social and financial motivation | AngelList, ASSOB, CrowdCube.com |



The 5 Cs for obtaining a bank loan

- **Cash flow**
 - Do you have any yet?
- **Collateral**
 - What asset do you have to secure the loan?
- **Capital**
 - What cash do already have in the company?
- **Character**
 - What is your business experience? How have you managed other loans?
- **Conditions**
 - How are your economic and industry conditions?



Thank you!

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