

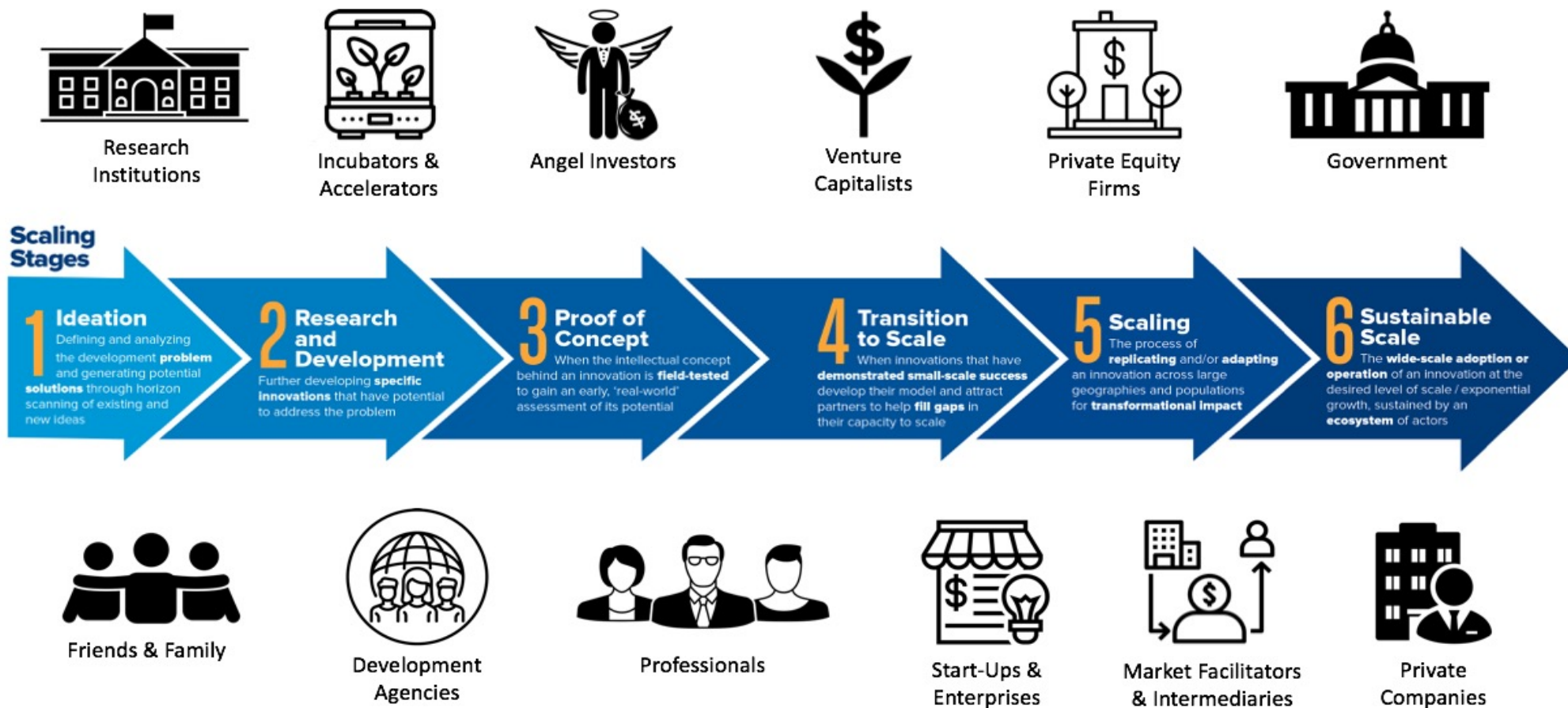
# Relations with investors

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# ENTREPRENEURIAL ECOSYSTEMS



Source: [www.idiainnovation.org](http://www.idiainnovation.org)



# INVESTORS

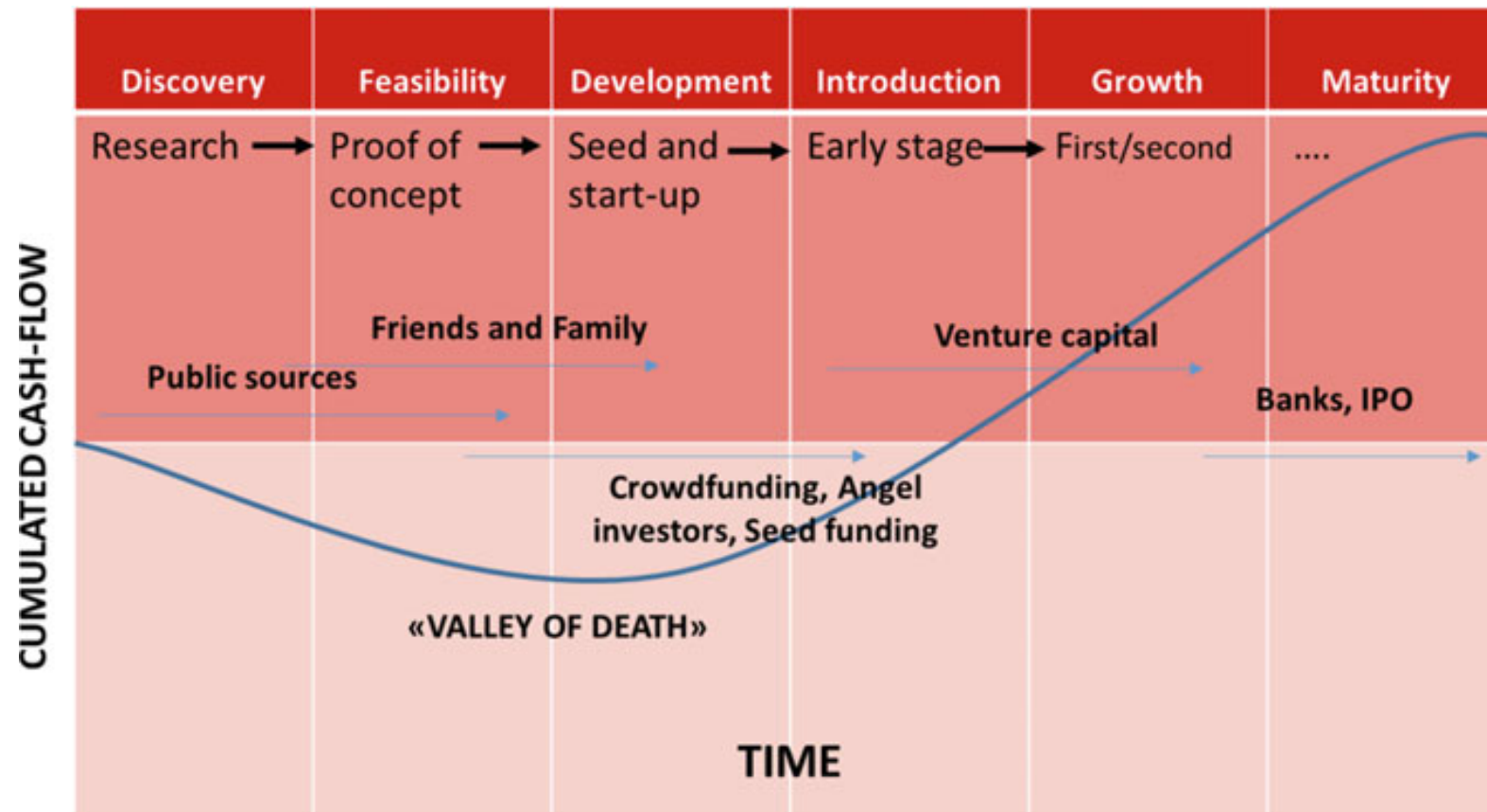
- **Professional investors are very difficult to persuade:**
  - No track record
  - No reputation
  - No revenues
  - No credentials
- **The most common source of funding for new entrepreneurs are informal:**
  - Personal resources
  - FFF (Friends, Family and Fools)



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)?

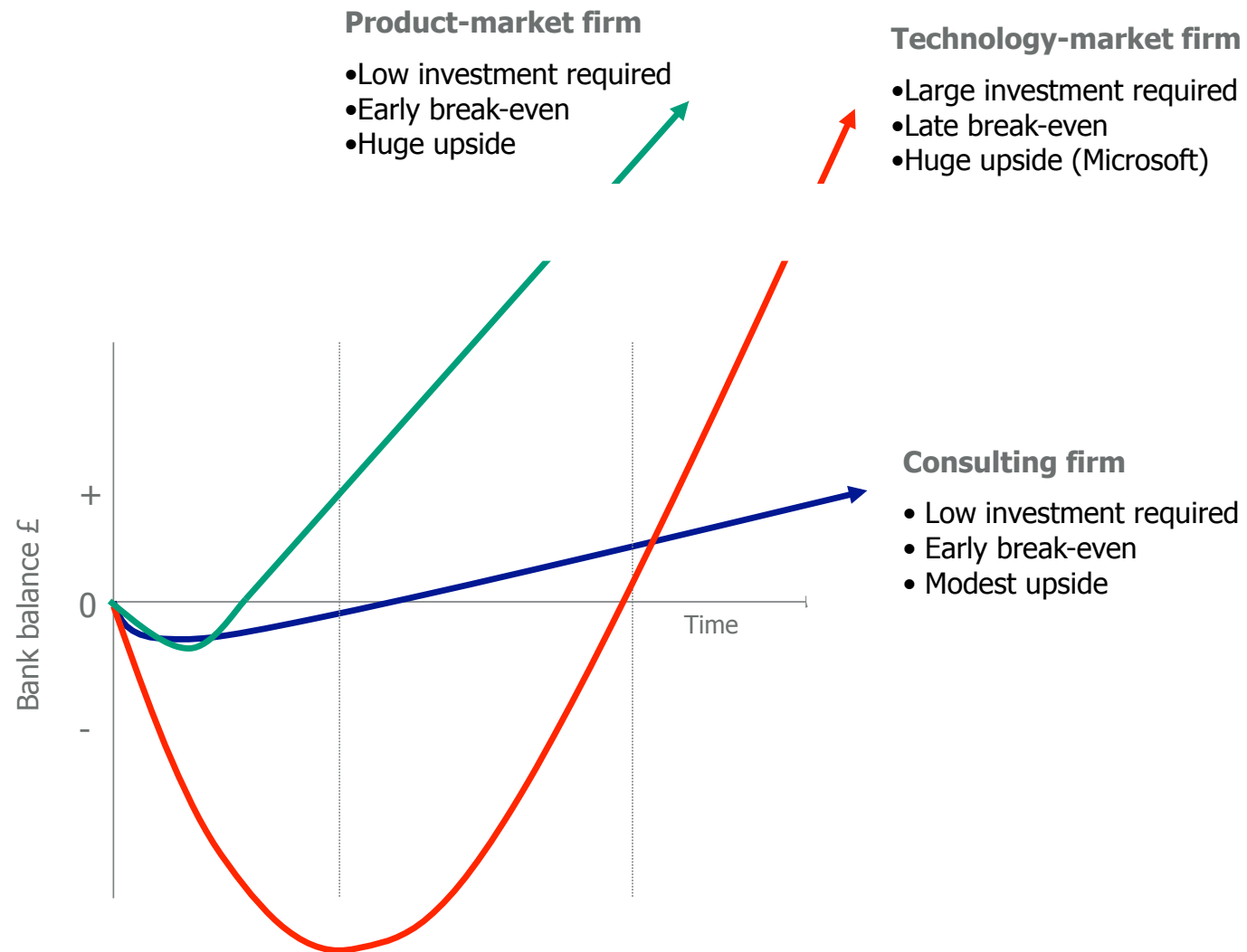


## Different investors during the lifecycle of a new venture



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 costumers 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  No financial support	Early stage start-up
Angel networks	Equity	Financial	Active  Management support, training, network	Early stage start-up
Crowdfunding	Debt/Equity	Financial, social, product-related	Passive  None	Early stage start-up
Corporate Venture Capital	Equity	Financial, strategic, technological	Active  Management and technology support	Early and later stage start-up
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 No support	Patents
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 Management support, network	Social ventures
Proof of concept funds and University-seed funds	Mostly equity	Financial and university-related	Active Management support, network	Academic and student start-up
Venture debt funds	Debt	Financial	Passive No support	Later stage start-up

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**

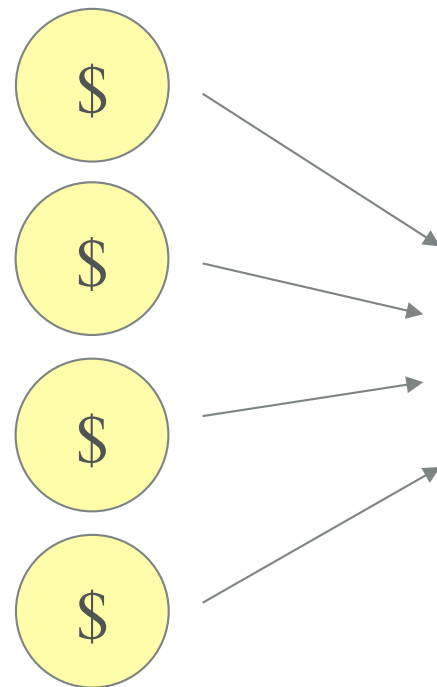
- Real potential to become leaders
- Availability of management resources
- Existence of a strategic vision based on specific competitive advantages
- Valuation of the investment company
- Not marginal investment by promoters
- Plan of business development convincingly and effectively with the ability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



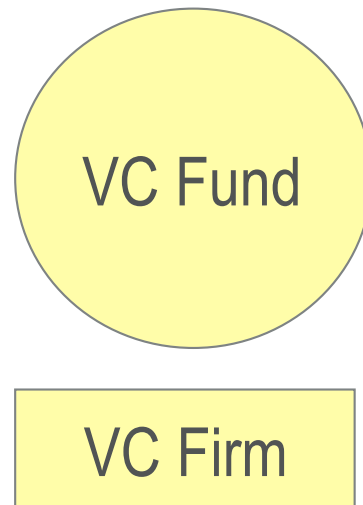
- **360 Capital Partners** (Digital /Deep Tech, early stage)
- **CDP Venture Capital SgR**
- **EUREKA! Venture SgR** (Deep tech / ricerca, Seed- Startup)
- **Fondo Italiano d'Investimento SGR** (Later stage)
- **Innogest SGR** (Digital / Deep tech /Life science, Startup)
- **LVenture Group** (Seed - 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)



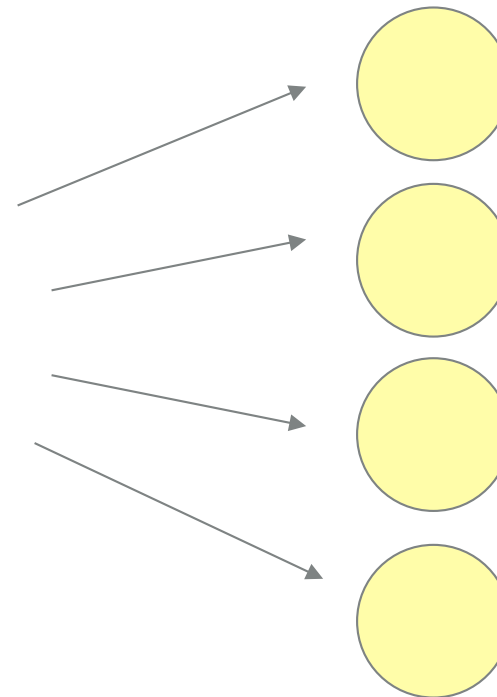
## Investors



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

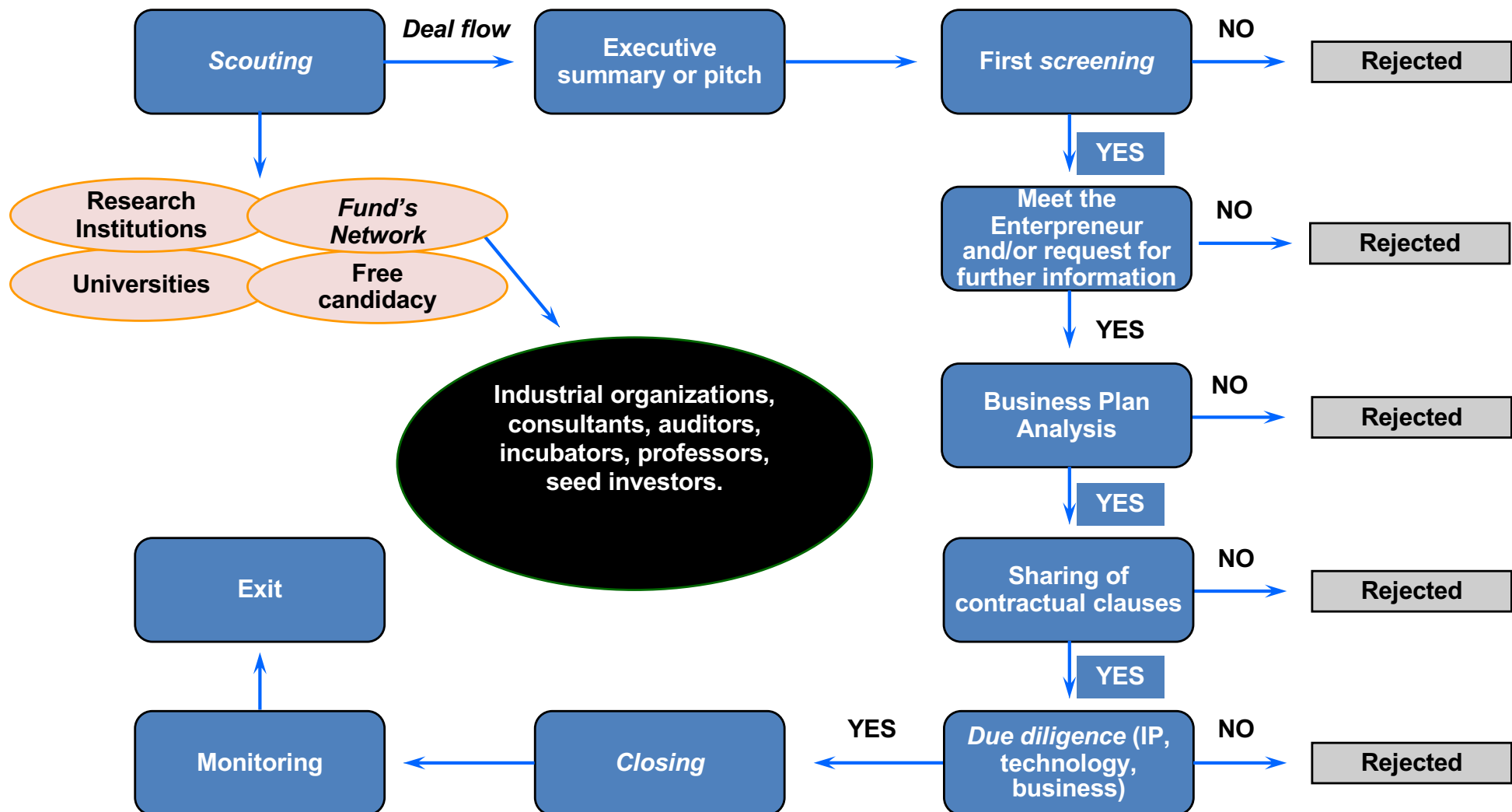


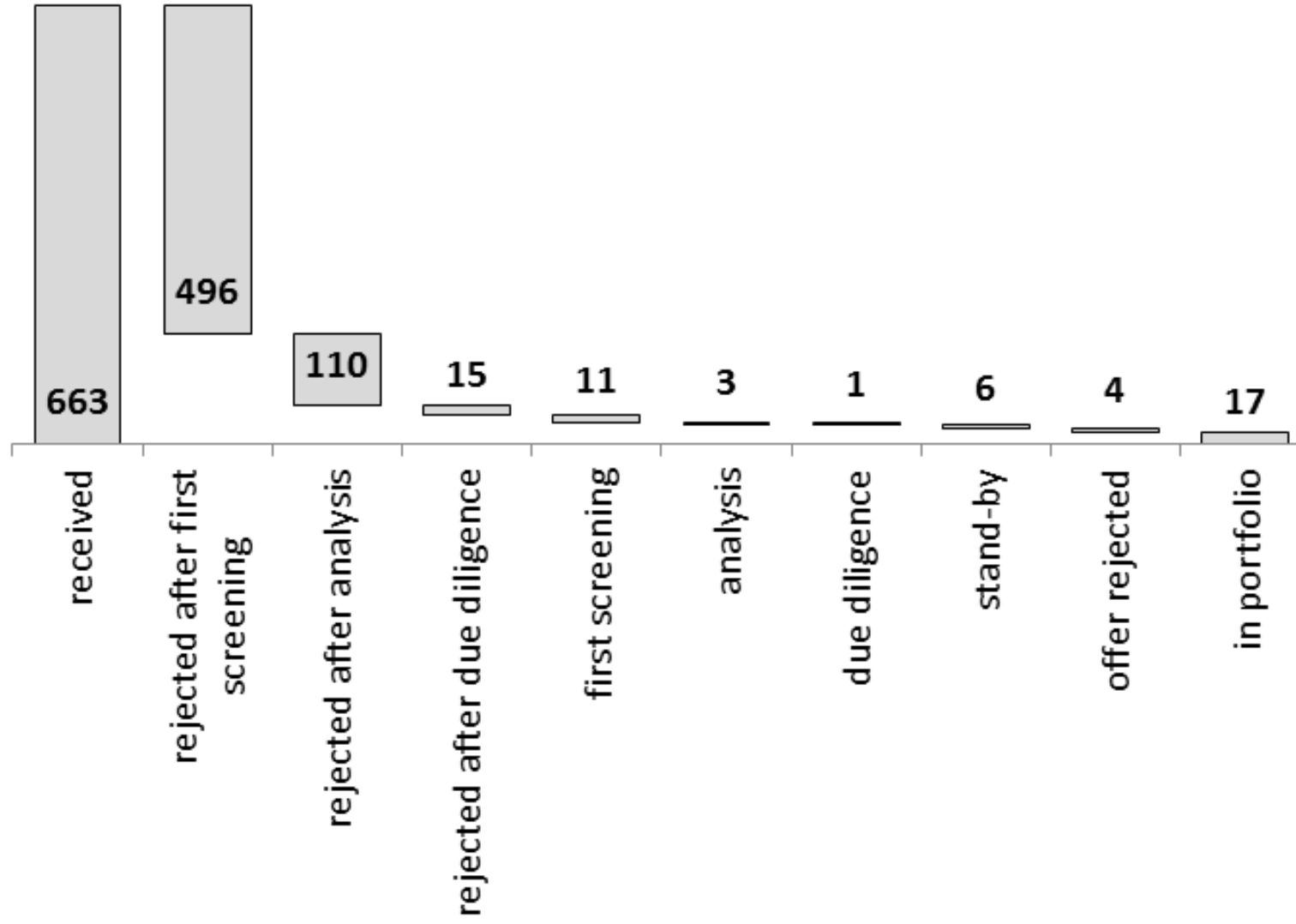
## Investee firms



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



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?

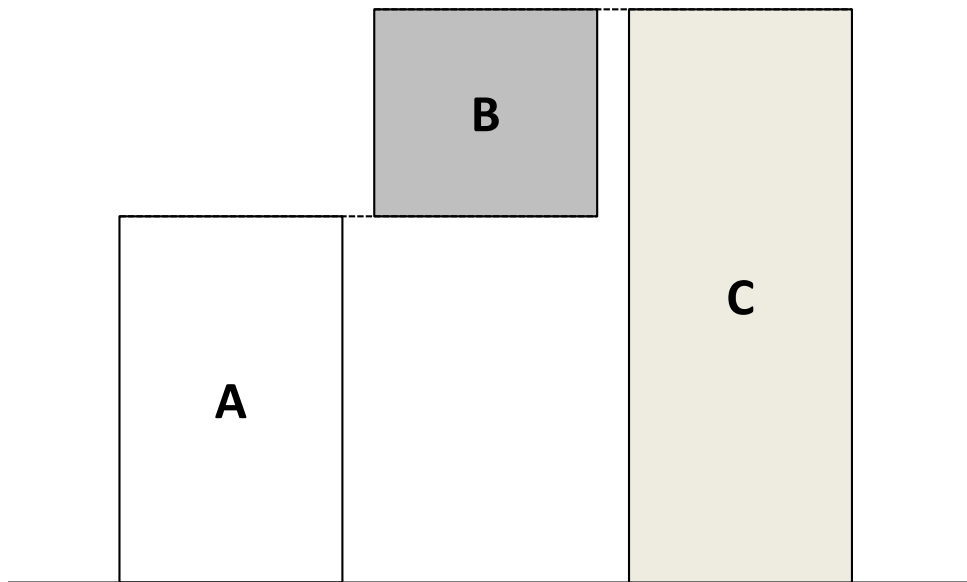
**5. Financial indicators**

- 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

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**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.

### ARTICLE HISTORY

Received 3 November 2015  
Revised 12 July 2016  
Accepted 22 September 2016

### KEYWORDS

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





Contents lists available at [ScienceDirect](#)

## Journal of Business Venturing



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



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### ARTICLE INFO

#### Article history:

Received 7 October 2011

Received in revised form 17 July 2014

Accepted 23 July 2014

Available online 14 August 2014

Field Editor: Dimo Dimov

#### Keywords:

Venture capital

Public policies

Regional characteristics

### 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

Volume 60, pages 1249–1280, (2023) [Cite this article](#)

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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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