

FIN2010 Financial Management

Lecture 5: Raising Capital



Review—What is a Firm

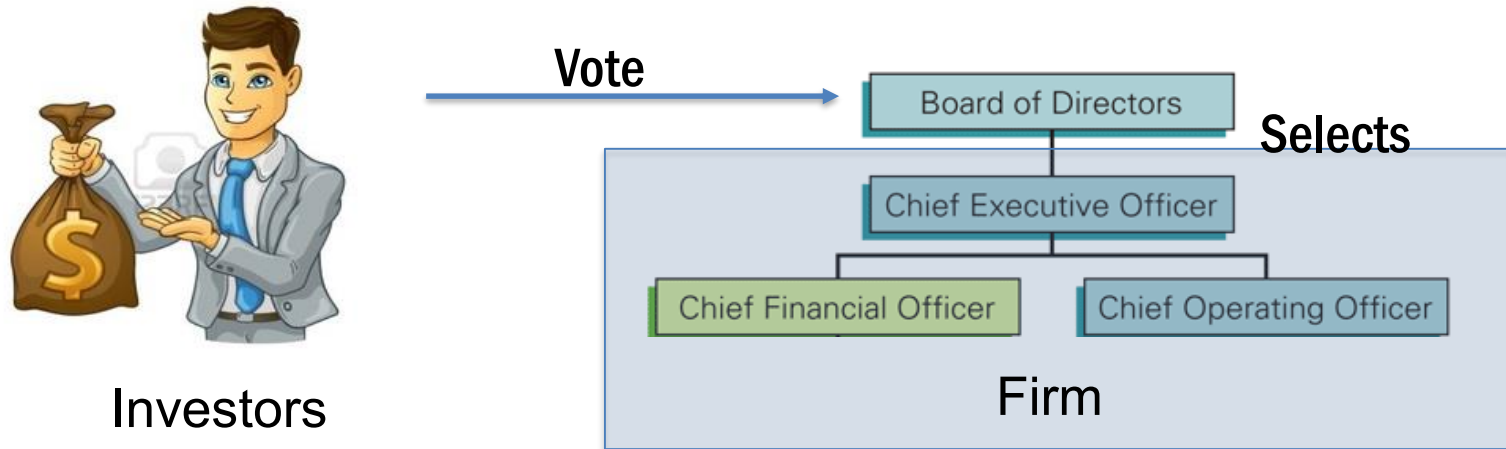
- Organizational forms

	Initial Capital	Limited Liability	Tax	Management	Transfer Ownership	Raising Capitals
Sole Proprietorship	0	No	Individual	Full control	N/A	Difficult
Partnership	0	No	Individual	Shared	Difficult	Difficult
LP, SOP	0	Mixed	Individual	Shared	Difficult	Easier
LLC	500,000	Yes	Corporate	Shared	Difficult	Easier
Corporation	Private:10M Public: 50M	Yes	Corporate	Separation	Easy	Easiest



Review—What is a Firm

- Separation of ownership and management
 - Investors elect the board, the board chooses the CEO



- Financial decisions of a firm
 - Capital budgeting, raising capital, short-term capital management
- Agency problem
 - Theoretical goals of the manager: maximize shareholders' wealth.
 - Reality: maximize his/her own value

Agenda – Raising Capital

- Debt and Equity
- Equity Financing
 - Venture Capital
 - Private Equity
 - Initial Public Offering
 - Seasoned Equity Offering
- Debt Financing
 - Different types of debt
 - Credit Ratings



Firms and the Financial Market

Example: the fundraising path of Facebook

Announced Date	Funding Type	Money Raised	Lead Investors	Valuation	
9/1/2004	Angel Round	\$0.5M	Peter Thiel		} → Venture rounds
5/1/2005	Series A	\$12.7M	Accel Partners	\$87.5M	
3/31/2006	Series B	\$27.5M	Greylock Partners	\$500M	
10/24/2007	Series C	\$240M	Microsoft	\$15B	
11/30/2007	Series C	\$60M	Horizons Ventures		
1/15/2008	Series C	\$15M	Global Founders Capital		
3/27/2008	Series C	\$60M	Horizons Ventures		
5/1/2008	Debt Financing	\$100M	TriplePoint Capital		
5/26/2009	Series D	\$200M	DST Global	\$10B	
6/28/2010	Secondary Market	\$120M	Elevation Partners	\$14B	
1/21/2011	Private Equity Round	\$1.5B	DST Global, Goldman Sachs	\$50B	} → PE rounds
5/18/2012	Initial Public Offering	\$18.4B	N/A	\$104B	
12/19/2013	Seasoned Equity Offering	\$4B			} → Public market: IPO and SEO

Source: [Crunchbase](https://www.crunchbase.com)

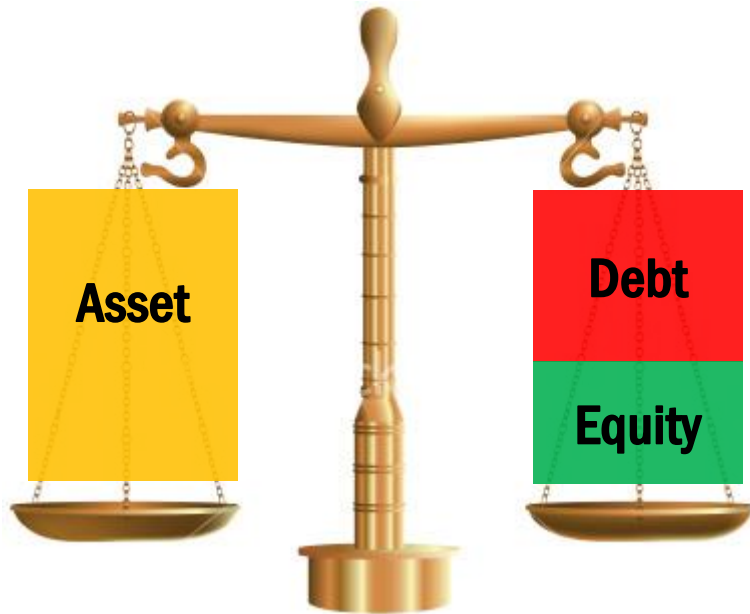


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Debt and Equity



- Debt: borrowing contract
 - Specific amount of money
 - Specific maturity date
- Equity: ownership contract
 - Grows (or shrinks) with firm earnings
 - Does not need to be paid back

Debt vs. Equity Investing

	Debt	Equity
Cash Flow	<p>Fixed Interest+Principal</p> 	<p>Uncertain</p> 
Claim to profit	Paid First	Paid Last
Voting Rights	No	Yes
Claim to assets if bankrupt	Paid First	Paid Last
Upside Potential	Limited	Unlimited
Risks	Low	High
Required return	Low	High



Agenda – Raising Capital

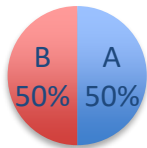
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How Does Equity Financing Work?

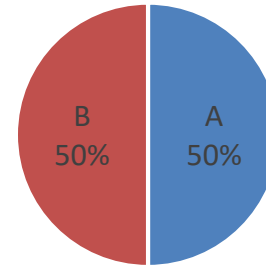
- Two owners A and B both invest \$1M to start a firm. Each owns 5 share.

Total value = \$1M

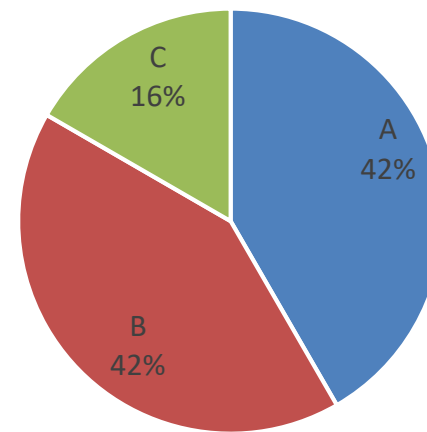


as the firm grows

Total value = \$10M



- To further grow, the firm need to raise capital by issuing **new shares**. Suppose C is willing to invest \$2M.
 - Based on a valuation of \$10M or \$1M/share, \$2M = 2 **new** shares.
 - Total # of shares = 12 shares
 - Total firm value = \$12M



How Does Equity Financing Work?

- What if C is only willing to pay \$1.5M for 2 shares?
 - Total firm value = \$10 + \$1.5M = \$11.5M.
 - A's wealth = \$11.5M * 42% = \$4.83M. Same for B.
 - Compared to before the new shares issuance, A and B's wealth both shrink from \$5M to \$4.83M. This is called dilution.
- Selling existing shares: suppose B decides to sell a half of his shares to D.



Venture Capital Financing

- What: a type of financing that individuals investors or financial institutions provide to small, early-stage, emerging firms.
- Goal: capture the explosive return from the very few companies that can succeed.
- Instruments used:
 - Equity
 - Convertible debt: can be converted to a **set** number of shares of a stock at certain dates
 - Protected on the downside, can capture the upside
 - E.g.: a venture capitalist Peter Thiel gave Facebook \$500,000 for a convertible debt in seed round, which could be exchanged into 10.2% of the company



VC Financing

- Exit: a investor (e.g. VC) sells his or her stake in a firm to realize his/her gains (or losses)
- Exits options:
 - Acquisition (Acquired by others)
 - IPO
 - Liquidation (the firm go bankrupt)

Table 1
Descriptive statistics

	Data
Rounds	61,356
Companies	18,237
Company Outcomes	
IPO	10.4%
Acquisition	23.4%
Liquidation	15.9%
Unknown	50.4%

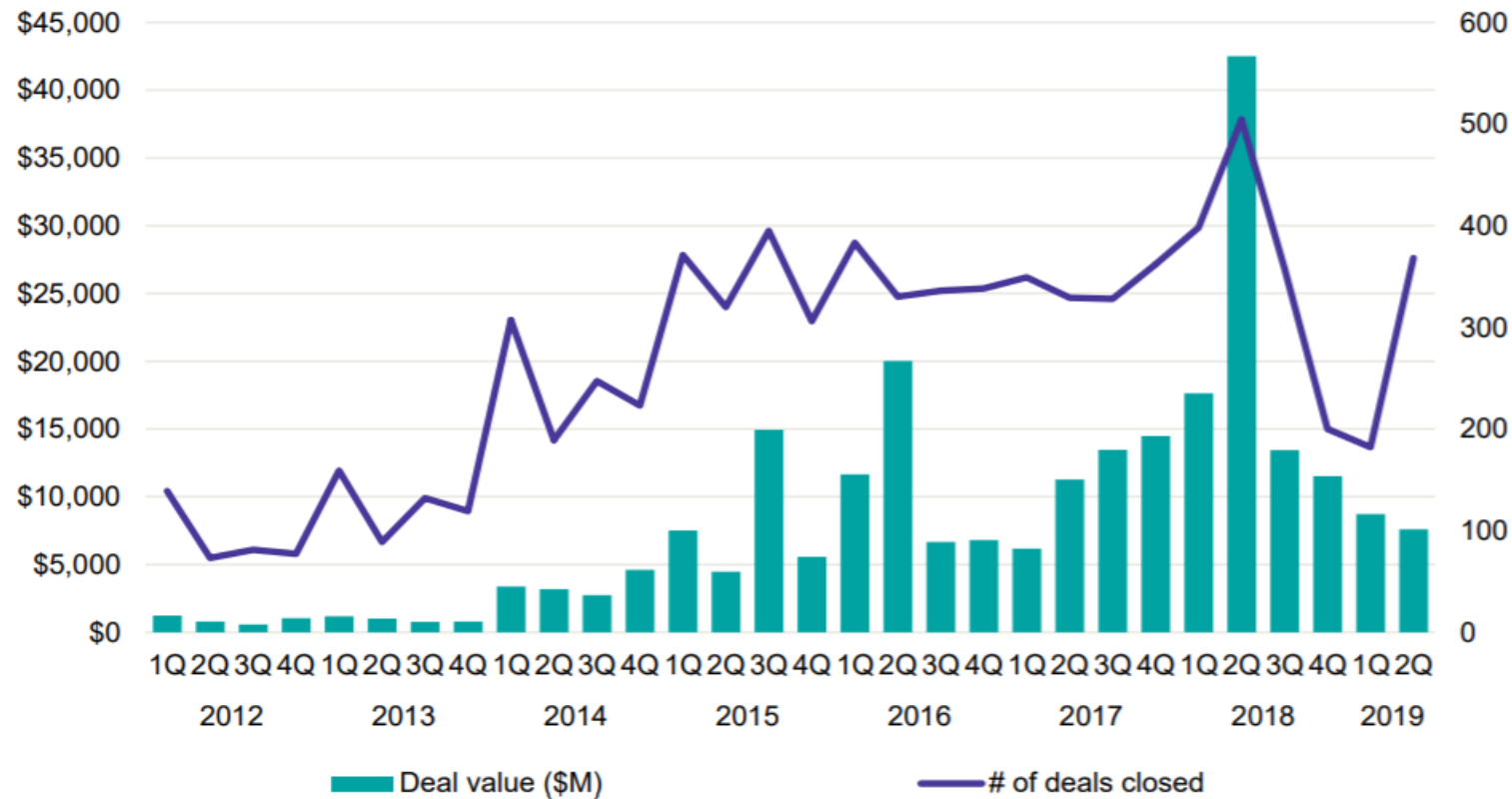
[Source](#)
[Return of VC funds](#)



China VC investment

Venture financing in China

2012–Q2'19



Source: Venture Pulse, Q2'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of June 30, 2019. Data provided by PitchBook, July 11, 2019.

Bottom line: growing but volatile trend.



VC Types: Affluent Investors

- Provide (1) seed stage (also called angel round) funding, and (2) guidance



Peter Thiel

Invested in the seed round and series A

Helped with timing and selection of the subsequent financing rounds



VC Types: Venture Capital Funds

- Funded by partners or the public, invest in startups

Investors in the Top 100 VC-Backed US Tech Exits
Q1 2013 - Q2 2015

Investor	# of Exits
Accel Partners	14
New Enterprise Associates	11
Sequoia Capital	11
Sapphire Ventures	10
Kleiner Perkins Caufield & Byers	10
Institutional Venture Partners	9
Battery Ventures	8
Norwest Venture Partners	7
Foundation Capital	7
Benchmark Capital	7
Insight Venture Partners	6
Index Ventures	6
Meritech Capital Partners	6
DAG Ventures	6
Redpoint Ventures	6
Felicis Ventures	6
Intel Capital	6
General Catalyst Partners	5
Spark Capital	5
US Venture Partners	5
Adams Street Partners	5

排名	机构中文名称 主要管理人	主要投资领域
1	深创投 倪泽望、孙东升	TMT、消费升级、生物医药、节能环保等
2	IDG资本 熊晓鸽	互联网与高科技、新型消费及服务、医疗健康、工业技术、文化旅游等
3	红杉资本中国基金 沈南鹏、周逵、计越	科技/传媒、医疗健康、消费品/服务、工业科技等
4	高瓴资本 张磊	消费与零售、科技创新、医疗健康等
5	金沙江创投 朱啸虎、丁健、林仁俊	消费互联网、企业服务、医疗健康等
6	达晨创投 肖冰、刘昼	TMT、医疗健康、消费服务、智能制造等
7	君联资本 朱立南、陈浩、王能光	TMT及创新消费、现代服务和智能制造、医疗健康、文化体育等
8	经纬中国 张颖、徐传陞、邵亦波	互联网、移动互联网、交易平台等
9	创新工场 李开复	人工智能、高科技、文体娱乐等
10	今日资本 徐新	消费品品牌、零售连锁、消费互联网等



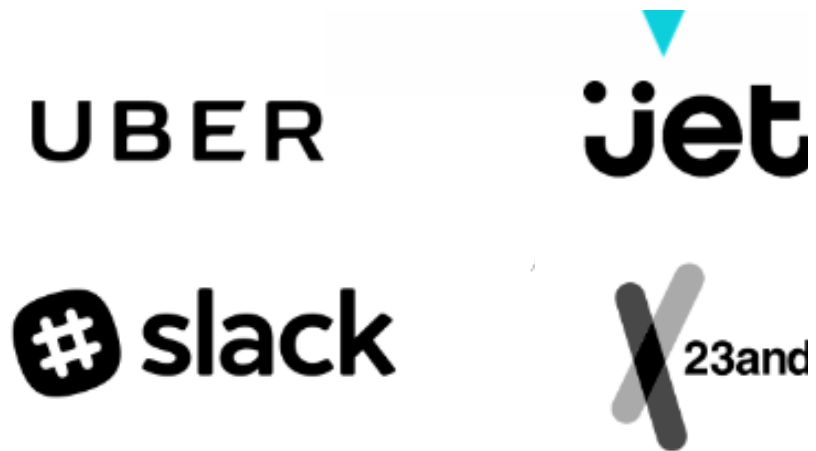
VC Types: Large Corporations

- Corporate also plays a big role in venture capital funding
 - To acquire innovative technologies
 - To protect the company value by taking over competitors

Example:

Google Ventures

517 investments including

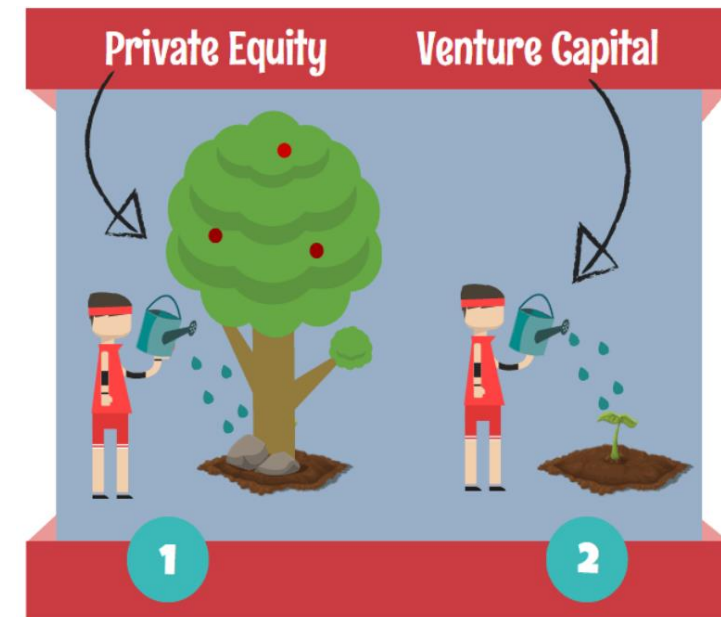


阿里&腾讯合投资项目

行业	时间	公司名	轮次	金额
电子商务	2018-06-01	小红书	D轮	3亿美元
工具软件	2013-12-01	LBE安全大师	A轮	数千万美元
金融	2015-12-09	中国邮政储蓄银行	战略投资	451亿人民币
	2014-06-15	众安保险	天使轮	未透露
企业服务	2018-07-23	WPP	战略投资	25亿美元
	2017-08-16	中国联通	战略投资	780亿人民币
汽车交通	2016-06-16	滴滴出行	F轮-上市前	45亿美元
	2015-07-08		F轮-上市前	30亿美元
文化娱乐	2018-07-03	华人文化集团CMC	A轮	100亿人民币
	2016-12-21	博纳影业	战略投资	25亿人民币
	2015-08-19	华谊兄弟	战略投资	36亿人民币
	2014-11-19		战略投资	36亿人民币
硬件	2015-08-14	微鲸科技	A轮	20亿人民币

Private Equity

- Definition: financial institutions that directly invest in private companies or engage in buyouts of public companies, resulting in the delisting of public equity.
- Differences between PE vs. VC:
 - **Firm type**: matured firms vs. early-stage companies
 - PE also invests in early-stage firms, but typically in later rounds.
 - **Industry**: all industries vs. innovative industries (e.g. high-tech, bio-tech, clean energy...)
 - **Stake**: majority vs. minority
 - **Investment size**: large vs. small
 - **Structure**: debt + equity vs. equity
 - **Time horizon**: longer term vs. shorter term



PE Firms - Example



International PE firms



China PE firms

Example of a PE Deal—Leverage Buyout



Sold Hilton piece by piece from 2013 to 2018. Made ~\$14B in total.

- | | |
|-------------|--|
| 2007 | Blackstone buys Hilton for \$26 billion in cash, taking the company private. Months later, Blackstone hires Chris Nassetta, then CEO of Host Hotels, as Hilton's new CEO. |
| 2008 | Great Recession hits, initiating a global financial downturn. |
| 2009 | Hilton relocates its headquarters from Beverly Hills, California, to McLean, Virginia. |
| 2010 | Blackstone restructures Hilton's debt. |
| 2013 | Hilton returns to the public markets, with an IPO share price of \$20. At the time, Blackstone owns 76 percent of Hilton's shares. |
| 2015 | Blackstone reduces its stake in Hilton from 55 percent to 45 percent. |
| 2016 | Blackstone reduces its stake in Hilton from 45 percent to 40 percent, and then sells 25 percent of its shares to HNA Group for \$6.5 billion. |
| 2017 | Blackstone's 15 percent stake in Hilton is reduced to 10 percent. HNA is now Hilton's largest shareholder with a 25 percent stake. Blackstone then sells more shares of Hilton, reducing its stake to 5 percent by year's end. |
| 2018 | HNA sells off its 26 percent stake in Hilton (post spinoff). |
| 2018 | Blackstone announces it will sell its remaining 5 percent stake in Hilton. |



Initial Public Offering (IPO)

- What: the process that a private company goes public
 - Now shares can be traded on an exchange
 - Anyone (the general public) can invest in this company
 - The company is subjected to more stringent disclosure rules
- Why:
 - To have better access to financing
 - The value of the equity is typically higher
 - One big reason is the increased liquidity
 - With higher valuation:
 - shares can be used to award employees;
 - shares can be used to buy another company
 - Better brand recognition



Where do Firms Go IPO?

Top-performing global stock exchanges

Funds raised by top five exchanges



2019:
USD 143.7 billion

73% of total proceeds



2018:
USD 130.4 billion

61% of total proceeds

2019

Rank	Stock exchange	IPO proceeds (USD billion) ¹
1	HKEX	37.2
2	NASDAQ	27.5
3	NYSE	27.1
4	Saudi Stock Exchange ²	26.6
5	Shanghai Stock Exchange	25.3

2018

Rank	Stock exchange	IPO proceeds (USD billion)
1	HKEX	36.9
2	NYSE	27.5
3	Tokyo Stock Exchange	26.7
4	NASDAQ	25.5
5	Frankfurt Stock Exchange	13.8

(1) Note: All analysis is based on data as at 8 Dec 2019, adjusted to numbers of confirmed listings up to 13 Dec 2019, unless otherwise stated. Sources: Bloomberg and KPMG analysis
(2) Adjusted for the expected listing of Saudi Aramco on Dec 11 for USD 25.6B (before over-allotment).

Mega size IPOs in HKEX:

- 2019: Alibaba, China Tower Corporation
- 2018: Xiaomi, Meituan...



IPO Process

1. Managers and the board approve



2. Find investment banks

CREDIT SUISSE

3. Conduct due diligence

4. File prospectus (招股说明书)
and seek approval
from the regulator (e.g. CSRC and
SEC)

证监会 (CSRC)
[Filing of Alibaba](#)



5. Road show: find buyers, decide IPO price
6. Buyers buy at IPO price

Primary Market

Secondary Market

7. Shares start trading on exchanges



IPO Issuing Costs - Direct

- Gross spread:
 - The fees that underwriters receive for arranging and underwriting an offering of debt or equity securities.
 - 7% is the norm
 - Larger (about 9%) for small offerings (<10M)
 - Smaller (about 5%) for large offerings (>500M). Facebook only paid 1.1% or \$176 million.
- Other expense: filing fee, legal fee, tax, etc.

Year	Number of IPOs	Gross Spreads			
		Mean EW	Mean PW	Median	=7%
1980	71	8.0%	7.2%	7.5%	3%
1981	192	7.9%	7.3%	7.5%	4%
1982	77	8.1%	7.3%	7.9%	9%
1983	451	7.7%	6.9%	7.3%	14%
1984	172	7.9%	7.3%	7.5%	15%
1985	187	7.7%	6.6%	7.5%	13%
1986	393	7.5%	6.2%	7.2%	15%
1987	285	7.5%	6.0%	7.1%	23%
1988	102	7.3%	6.3%	7.0%	28%
1989	113	7.3%	6.3%	7.0%	40%
1990	110	7.3%	6.5%	7.0%	44%
1991	286	7.1%	6.3%	7.0%	50%
1992	412	7.2%	6.3%	7.0%	52%
1993	509	7.2%	6.2%	7.0%	57%
1994	403	7.3%	6.5%	7.0%	55%
1995	461	7.2%	6.3%	7.0%	64%
1996	677	7.2%	6.2%	7.0%	68%
1997	474	7.2%	6.4%	7.0%	68%
1998	281	7.1%	5.5%	7.0%	68%
1999	477	6.9%	5.7%	7.0%	82%
2000	381	6.9%	5.6%	7.0%	82%
2001	79	6.6%	4.6%	7.0%	62%
2002	66	6.7%	5.2%	7.0%	71%
2003	63	7.0%	6.7%	7.0%	78%
2004	173	6.8%	5.7%	7.0%	78%
2005	159	6.7%	6.1%	7.0%	65%
2006	157	6.8%	6.1%	7.0%	69%
2007	159	6.7%	5.7%	7.0%	73%
2008	21	6.4%	3.4%	7.0%	62%
2009	41	6.4%	5.6%	7.0%	49%
2010	91	6.7%	3.5%	7.0%	69%
2011	81	6.4%	5.1%	7.0%	54%
2012	93	6.7%	3.6%	7.0%	72%
2013	157	6.6%	5.5%	7.0%	64%
2014	206	6.6%	5.4%	7.0%	72%
2015	115	6.7%	5.9%	7.0%	73%
2016	74	6.7%	6.1%	7.0%	69%
1980-2016	8,249	7.2%	5.6%	7.0%	54%

IPO Costs – Indirect

- The biggest IPO in history: Alibaba (2014-9-19) sold 368 million shares at \$68/share and raised \$25B in total
 - First day price in the secondary market: \$93.89
- IPO underpricing: first-day closing price - initial offering price.
 - Underpricing represents indirect cost for firms. Also called money left on the table.
- Indirect cost = $(\$93.89 - \$68) / \text{share} * 368 \text{ million} = \9.5 billion
- Direct cost (underwriter fee) = \$ 300 million



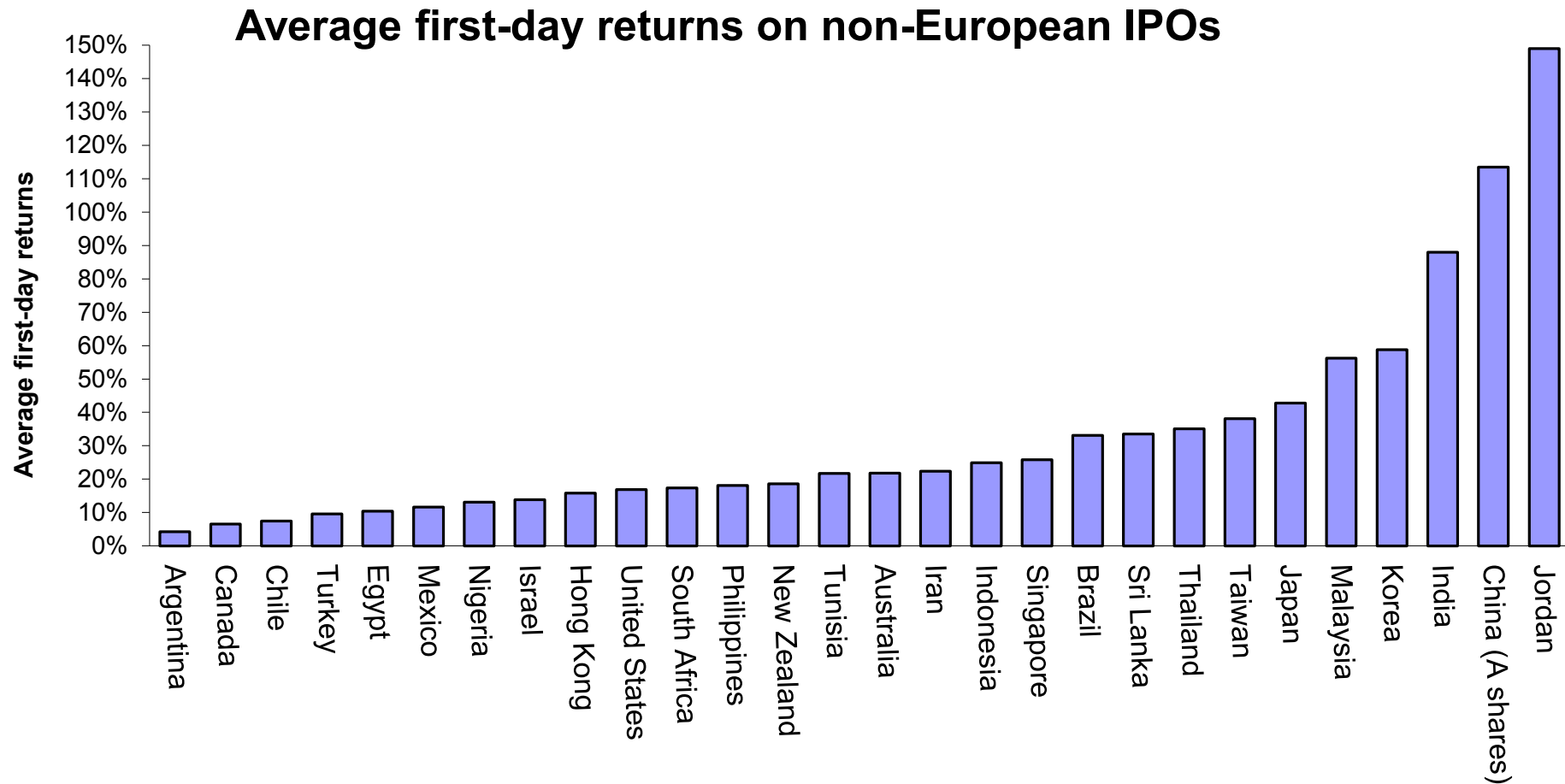
Underpricing History

Alibaba is not an isolated instance. There is a persistent trend of underpricing of about 18%

Year	Number of IPOs	Mean First-day Return		Aggregate Amount Left on the Table	Aggregate Proceeds
		Equal-weighted	Proceeds-weighted		
1980	71	14.3%	20.0%	\$0.18 billion	\$0.91 billion
1981	192	5.9%	5.7%	\$0.13 billion	\$2.31 billion
1982	77	11.0%	13.3%	\$0.13 billion	\$1.00 billion
1983	451	9.9%	9.4%	\$0.84 billion	\$8.89 billion
1984	172	3.6%	2.5%	\$0.05 billion	\$2.06 billion
1985	187	6.4%	5.3%	\$0.23 billion	\$4.31 billion
1986	393	6.1%	5.1%	\$0.68 billion	\$13.40 billion
1987	285	5.6%	5.7%	\$0.66 billion	\$11.68 billion
1988	105	5.5%	3.4%	\$0.13 billion	\$3.88 billion
1989	116	8.0%	4.7%	\$0.27 billion	\$5.81 billion
1990	110	10.8%	8.1%	\$0.34 billion	\$4.27 billion
1991	286	11.9%	9.7%	\$1.50 billion	\$15.35 billion
1992	412	10.3%	8.0%	\$1.82 billion	\$22.69 billion
1993	510	12.7%	11.2%	\$3.52 billion	\$31.44 billion
1994	402	9.6%	8.3%	\$1.43 billion	\$17.19 billion
1995	461	21.2%	17.5%	\$4.90 billion	\$27.95 billion
1996	677	17.2%	16.1%	\$6.76 billion	\$42.05 billion
1997	474	14.0%	14.4%	\$4.56 billion	\$31.76 billion
1998	281	21.9%	15.6%	\$5.25 billion	\$33.65 billion
1999	476	71.2%	57.4%	\$37.11 billion	\$64.67 billion
2000	380	56.4%	46.0%	\$29.81 billion	\$64.80 billion
2001	79	14.2%	8.7%	\$2.97 billion	\$34.24 billion
2002	66	9.1%	5.1%	\$1.13 billion	\$22.03 billion
2003	63	11.7%	10.4%	\$9.96 billion	\$9.54 billion
2004	173	12.3%	12.4%	\$3.86 billion	\$31.19 billion
2005	159	10.3%	9.3%	\$2.64 billion	\$28.23 billion
2006	157	12.1%	13.0%	\$3.95 billion	\$30.48 billion
2007	159	14.0%	13.9%	\$4.95 billion	\$35.66 billion
2008	21	5.7%	24.8%	\$5.63 billion	\$22.76 billion
2009	41	9.8%	11.1%	\$1.46 billion	\$13.17 billion
2010	91	9.4%	6.2%	\$1.84 billion	\$29.82 billion
2011	81	13.9%	13.0%	\$3.51 billion	\$26.97 billion
2012	93	17.8%	8.9%	\$2.77 billion	\$31.11 billion
2013	157	21.1%	20.5%	\$7.94 billion	\$38.75 billion
2014	206	15.5%	12.8%	\$5.40 billion	\$42.20 billion
2015	115	18.7%	18.7%	\$4.06 billion	\$21.72 billion
2016	74	14.6%	14.4%	\$1.75 billion	\$12.12 billion
1980-1989	2,049	7.2%	6.1%	\$3.30 billion	\$54.24 billion
1990-1998	3,613	14.8%	13.3%	\$30.10 billion	\$226.38 billion
1999-2000	856	64.6%	51.7%	\$66.92 billion	\$129.47 billion
2001-2016	1,735	14.0%	12.8%	\$54.84 billion	\$430.00 billion
1980-2016	8,253	17.9%	18.5%	\$155.13 billion	\$840.09 billion



Underpricing Around the Globe



Why is There Persistent Underpricing?

- On average, it's impossible for there to be overpricing—there will be no buyers for IPO shares. Investing in IPO markets is risky, and underpricing compensates buyers for the risks
- Is the underpricing too much?
 - Probably true for China

表 1 IPO 定价管制期间

时间段	定价方式	定价上限	是否管制
1999 年 9 月前	固定价格和固定市盈率	15 倍市盈率	是
1999. 9–2001. 8	累计投标定价	无	否
2001. 11–2004. 12	固定市盈率	20 倍市盈率	是
2005. 1–2009. 6	询价制	30 倍市盈率	窗口指导
2009. 6–2012. 4	询价制	无	否
2012. 4–2014. 3	询价制	参考同行业	是
2014. 3–	询价制	23 倍	窗口指导



Seasoned Equity Offering

- Addition equity issuance after IPO
 - Example: Facebook issued an additional 70M shares after it was included into S&P 500^[1]
- A stylized finding about SEO
 - Short term impact: stock price usually drops by about 3% upon SEO announcements
 - Why? Investors think: the manager would only issue shares if he/she thinks the stock is overpriced
 - Long term: firms that have undergone SEO underperform peer firms in the next 5 years^[2]



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Debt Financing-Different Types of Debt

- Private debt
 - Bank loan: borrowers v.s. banks
 - P2P: borrowers v.s. individuals
 - Trade credit: debt between suppliers and firms
 - ..
- Public debt
 - Publicly traded debt is also called **bond**
 - Depending on who the issuer is, bond can be classified as corporate bond (firms), treasury bond (central government), municipal bond (local government)



Corporate Bond Issuance Process

- Manager decides to issue long-term bond
- Talk to investment banks about the best strategy
 - Investment banks know what bonds (maturity, coupon type, callable or not, etc.) investors want
- (Get a rating from a rating agency)
- File registration with the regulatory body (e.g. CSRC or SEC)



Credit Ratings

- Definition: an evaluation of the credit risk of a prospective debtor, predicting their ability to pay back the debt.
- Major rating agencies
 - China: 大公、中诚信、联合、上海新世纪. US: S&P, Moody's, Fitch

Moody's		S&P		Fitch		Rating description	
Long-term	Short-term	Long-term	Short-term	Long-term	Short-term		
Aaa	P-1	AAA	A-1+	AAA	F1+	Prime	Investment-grade
Aa1		AA+		AA+		High grade	
Aa2		AA		AA			
Aa3		AA-		AA-			
A1		A+	A-1	A+	F1	Upper medium grade	
A2	A	A					
A3	P-2	A-	A-2	A-	F2	Lower medium grade	
Baa1		BBB+		BBB+			
Baa2	P-3	BBB	A-3	BBB	F3		
Baa3		BBB-		BBB-			
Ba1	Not prime	BB+	B	BB+	B	Non-investment grade speculative	Non-investment grade AKA high-yield bonds AKA junk bonds
Ba2		BB		BB		Highly speculative	
Ba3		BB-		BB-			
B1		B+		B+			
B2		B		B			
B3		B-		B-			
Caa1		CCC+	C	CCC	C	Substantial risks	
Caa2		CCC				Extremely speculative	
Caa3		CCC-				Default imminent with little prospect for recovery	
Ca		CC					
C		C					
/	D	/	DDD	/	In default		
			DD				
			D				

Investment grade: 85% of money,
50% of issues (in the US)

[Default rates](#)



Can We Fully Trust the Rating Agencies?

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97%的债券获最高评级？国内债市评级引质疑

文 / 张轶 2015年07月27日 08:57:28 45

97%的中国债券的评级不是AA就是AAA，而且同一公司的债券在国内外评级差别巨大，这究竟是怎么回事？

以恒大地产集团为例，其在国内发行的债券评级为AAA，但其在海外发行的30亿美元的债券评级却还不到投资级别。

像恒大这样在国内外发行的债券的评级出现巨大差别，让国际投资者对中国正在对外开放的债市感到怀疑。

投资管理公司Legal & General Investment Management信用分析师Ben Bennett向《华尔街日报》表示，他们对中国国内的评级公司表示怀疑，他们更愿意相信国际上的三大主流评级机构。

中国自2010年起至今向国际投资者开放了3%的债权市场，但只有中国评级机构才能对中国债券评级。目前，97%的人民币计价的债券拥有AA和AAA的最高评级。

SEC Announces Charges Against Standard & Poor's for Fraudulent Ratings Misconduct

FOR IMMEDIATE RELEASE
2015-10

Washington D.C., Jan. 21, 2015 — The Securities and Exchange Commission today announced a series of federal securities law violations by Standard & Poor's Ratings Services involving fraudulent misconduct in its ratings of certain commercial mortgage-backed securities (CMBS).

S&P agreed to pay more than \$58 million to settle the SEC's charges, plus an additional \$19 million to settle parallel cases announced today by the New York Attorney General's office (\$12 million) and the Massachusetts Attorney General's office (\$7 million).

Another typical agency problem!



Summary

- Debt vs equity
 - Debt: fixed maturity, fixed cash flow, paid first when bankrupt
 - Equity: no maturity, uncertain cash flow, paid after debt holders
- Equity financing
 - VC rounds
 - PE rounds
 - Initial public offering (IPO)
 - Direct and indirect costs
- Debt financing
 - Public debt: bonds
 - Issued with the help of investment banks
 - Credit rating
 - A large and illiquid market



Firms and the Financial Market

Example: the fundraising path of Facebook

Announced Date	Funding Type	Money Raised	Lead Investors	Valuation	
9/1/2004	Angel Round	\$0.5M	Peter Thiel		} → Venture rounds
5/1/2005	Series A	\$12.7M	Accel Partners	\$87.5M	
3/31/2006	Series B	\$27.5M	Greylock Partners	\$500M	
10/24/2007	Series C	\$240M	Microsoft	\$15B	
11/30/2007	Series C	\$60M	Horizons Ventures		
1/15/2008	Series C	\$15M	Global Founders Capital		
3/27/2008	Series C	\$60M	Horizons Ventures		
5/1/2008	Debt Financing	\$100M	TriplePoint Capital		} → PE rounds
5/26/2009	Series D	\$200M	DST Global	\$10B	
6/28/2010	Secondary Market	\$120M	Elevation Partners	\$14B	
1/21/2011	Private Equity Round	\$1.5B	DST Global, Goldman Sachs	\$50B	} → Public market: IPO and SEO
5/18/2012	Initial Public Offering	\$18.4B	N/A	\$104B	
12/19/2013	Seasoned Equity Offering	\$4B			

Source: [Crunchbase](#)

Do you understand the meaning of this table now?



Next Time—Bond Valuation

- What is a bond?
- Price-yield relationship
 - Calculate the price for a given yield
 - Calculate the yield for a given price
 - Bond pricing in the real world
 - Term structure of yield
- Bond investment
 - Interest rate risk
 - Reinvestment risk
 - Call risk
 - Where can I buy bonds?

