

# Venture Capital

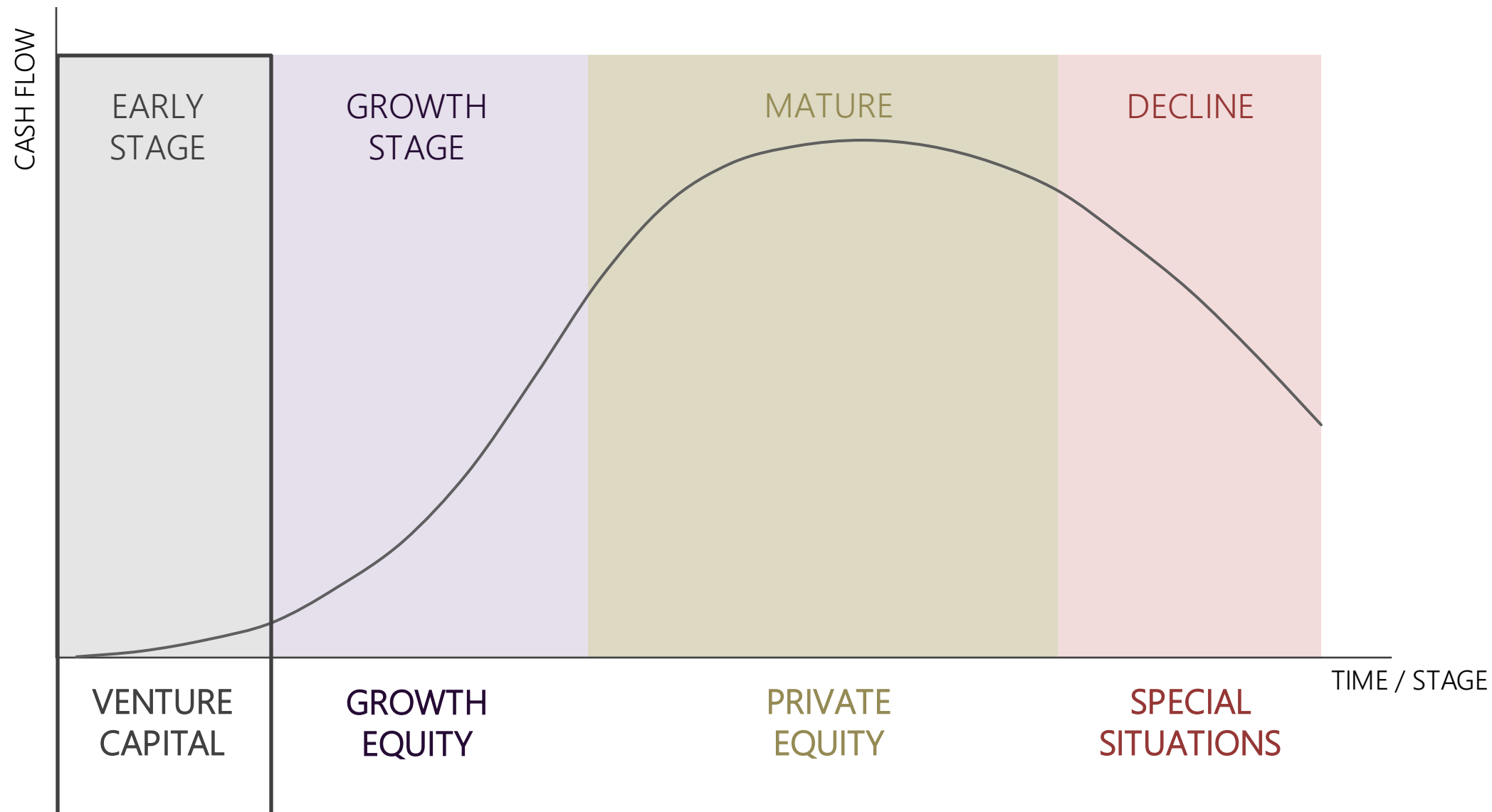
Comillas Private Equity & Venture Capital Club

Private Markets 101

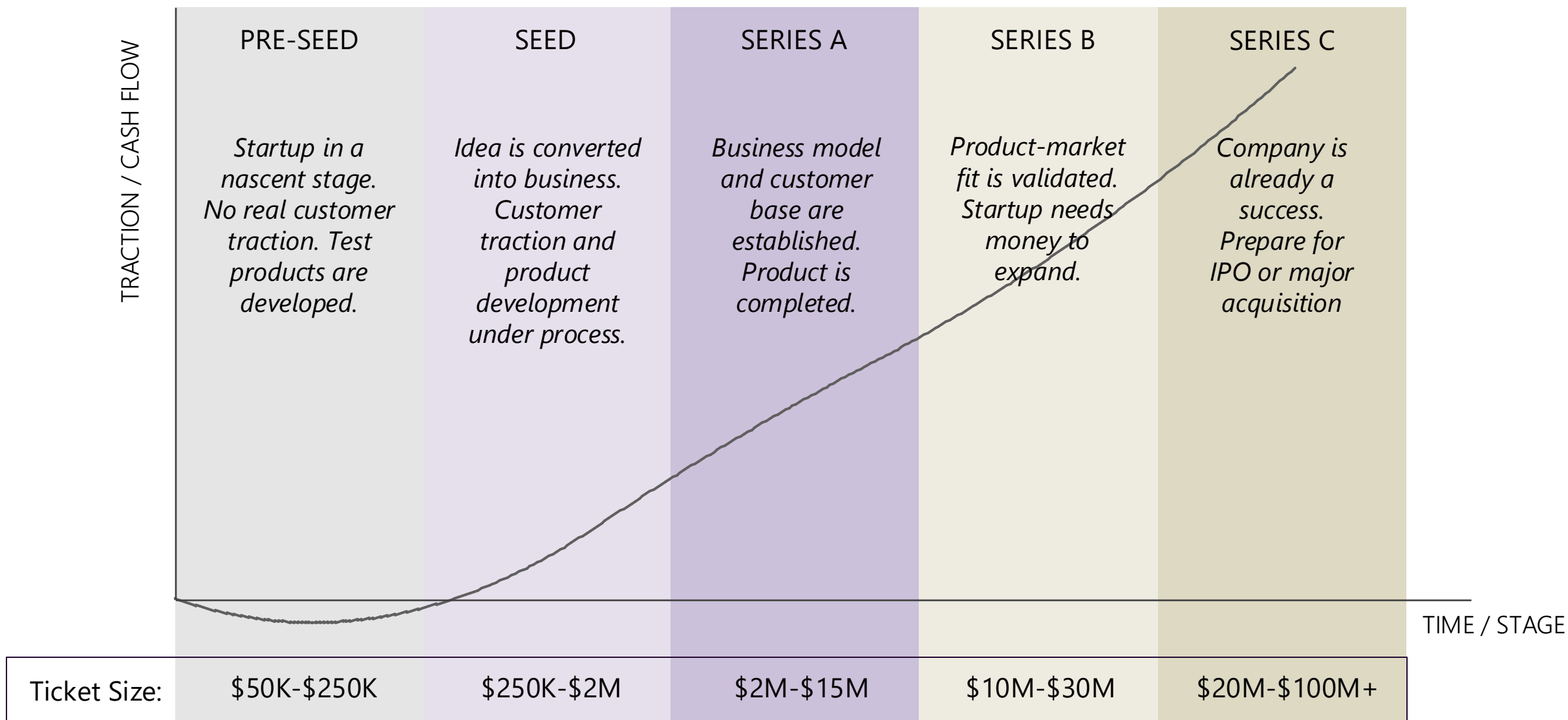
# Map of the Course

- Understanding Private Markets
- Private Equity
- **Venture Capital**
- Private Credit
- Infrastructure and Real Estate Investments

# Reminder of a Company's Lifecycle



# Funding Stages



# What is Venture Capital?

1

Minority investments in early-stage, high-growth startups with high risk and potential for outsized returns.

2

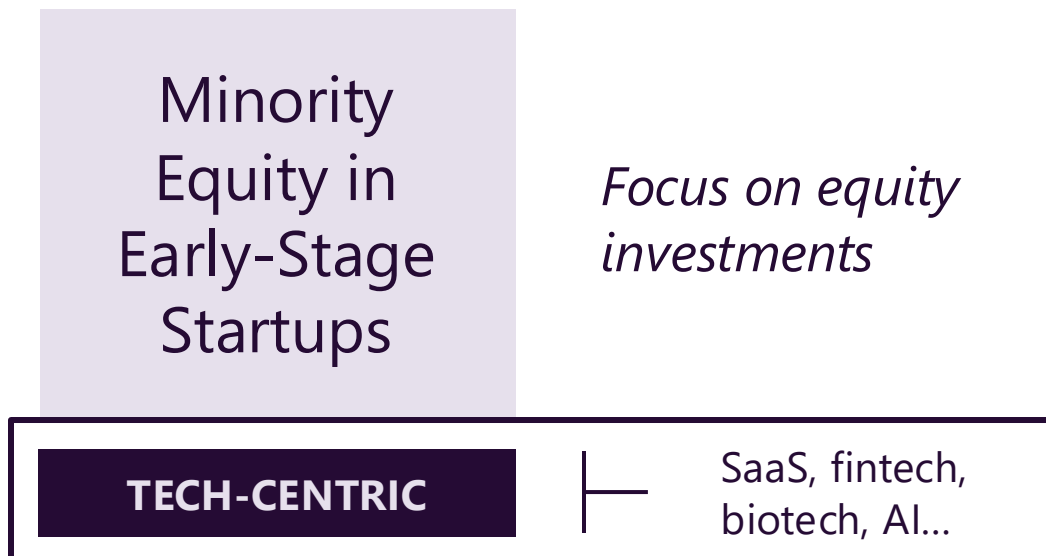
Fueling innovation and disruptions challenging the status quo in tech, health, finance and more.

3

Active support beyond capital — VCs bring networks, strategic advice, and help with hiring and scaling.

# Key Differences Between Venture Capital and Private Equity

## Venture Capital



- Typically no board control
- High risk, power-law returns
- Exit-dependent (IPO or M&A)
- Focused on rapid scaling, market expansion and strategic partnerships
- Equity-only exposure

## Private Equity



- Active governance and board control
- Targets stable, risk-adjusted returns
- Less dependent on market timing for exit
- Focused on operational improvement and financial engineering
- Uses both equity and leverage

# The Mechanics of Venture Capital

# Venture Capital Investment Process

## 1 DEAL SOURCING

Startups reach out or are referred through the VC's network.

## 2 SCREENING

Quick evaluation of market, team, product and fit with the fund's thesis.

## 3 DUE DILIGENCE

Deep dive into business model, traction, competition, tech, legal.

## 4 TERM SHEET

Non-binding agreement outlining key terms of the investment.

## 5 CLOSING

Execution of legal documents (SAFE, convertible, SHA...).

## 6 MONITORING

VC supports the company with strategy, hiring, intros and follow-on rounds.

## 7 EXIT

Via IPO, strategic acquisition or secondary sale.



# How Venture Capital Funds Work

1

LP-GP Structure: VC Funds are structured as Limited Partnerships (LLPs) as in Private Equity.

2

VC Funds are smaller than PE Funds (often \$50M-\$500M) and are composed of early-stage companies-

3

Most startups fail or return little, but a few “home runs” (ideally unicorns<sup>1</sup>) drive the fund’s overall performance. GPs expect 1-2 big winners to return the fund.

4

Fund’s Lifecycle is similar to PE Funds with a 10 year term and gradually deployed capital.

5

Each investment round adjusts the startup’s cap table<sup>2</sup> and causes dilution<sup>3</sup> for existing shareholders, which VC funds track carefully to manage their ownership stake.

1. Unicorns are privately held startups valued at over \$1 billion.
2. Cap (capitalization) Table is a record showing each shareholder’s ownership percentage in a company.
3. Dilution is the reduction of an existing shareholder’s ownership percentage due to new shares issued in funding rounds.

# Key Legal Instruments in Venture Capital

## PRE-INVESTMENT AGREEMENTS

- **Term Sheet:** summary of key deal terms.
- **NDA** (Non-Disclosure Agreement): confidentiality agreement.

## INVESTMENT INSTRUMENTS

- **SAFE / Convertible Note:** deferred equity tools often used in early rounds.
- **Equity Purchase:** direct share acquisition.

## GOVERNANCE AND RIGHTS

**SHA** (Shareholders Agreement): sets out rights, protections and rules.  
**Key clauses:** liquidation preference, anti-dilution, pro-rata rights, veto rights.

Note: VC transactions rely on flexible instrument tailored to early-stage uncertainty with governance protection balancing investor and founder interests.

# Exit Strategies in Venture Capital



## IPO (Initial Public Offering)

Rare but highly lucrative. Provides liquidity and branding.



## Strategic Sale

Acquisition by a large corporate player, most common form of exit.



## Secondary Sale

Shares sold to another VC or private buyer.



## Acquihire

Buyer acquires startup mainly for the team. Limited return, but better than full loss.



## Write-off (Liquidation)

Startup shuts down, capital is lost (expected outcome in most startups).

# Challenges in Venture Capital

1

High Failure Rate – portfolio must absorb frequent losses.

2

Valuation Uncertainty – prone to bubbles or overhyped rounds.

3

Dilution Through Rounds – ownership decreases as new investors join. Requires follow-on capital.

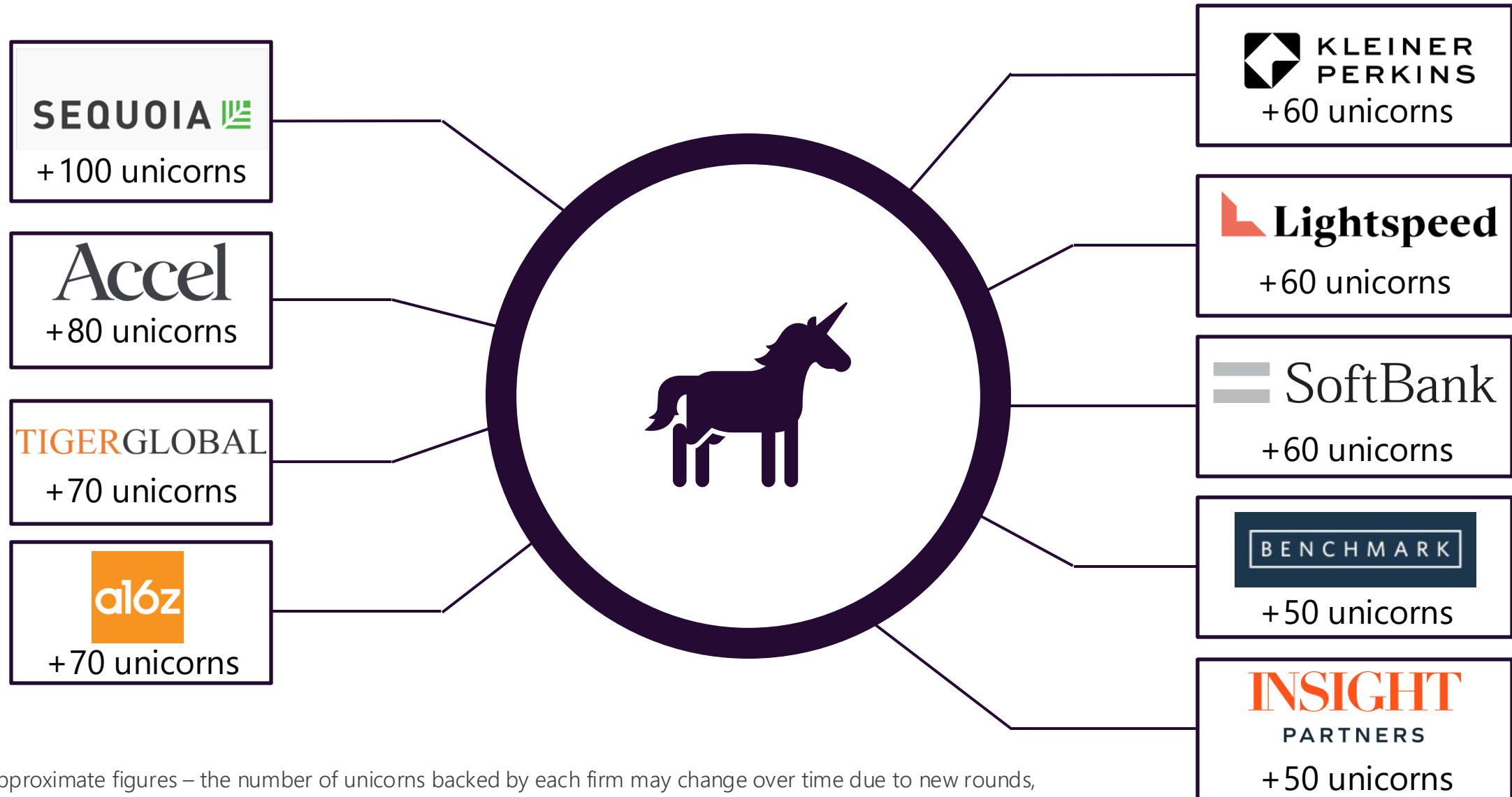
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Limited Investor Control – minority stake means little influence in daily operations. Relies on founders.

5

Exit Unpredictability – liquidity events are rare and timing is uncertain.

# Top Venture Capital Firms by Unicorns Backed



Approximate figures – the number of unicorns backed by each firm may change over time due to new rounds, mergers or changes in valuation.

# Current Trends in Venture Capital

Rise of **climate tech** and **deep tech** – Strong investor appetite for clean energy and AI.

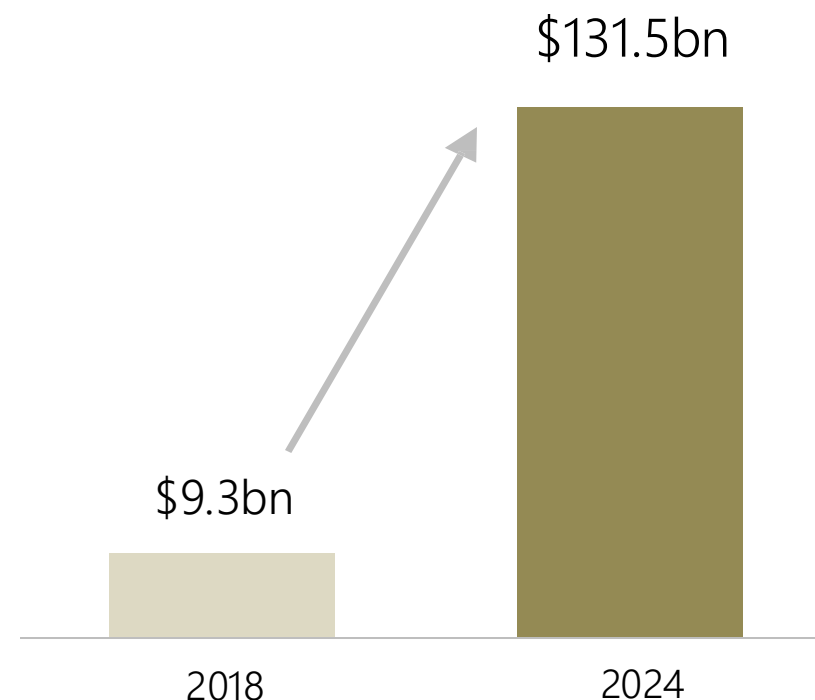
Geographic expansion **beyond Silicon Valley** – Growing VC activity in Europe, LatAm and SE Asia.

**Micro VCs & Angel Syndicates** – surge in smaller funds and collaborative syndicates.

**Secondary Markets** for startups – more liquidity options through secondary transactions.

Focus on **ESG Impact** – increased demand for responsible investment.

## GROWTH OF VC INVESTMENT IN AI



Sharp increase in investor focus on AI in recent years.

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