

## **ET5216 – Venture Capital Investment & Practices**

<b>Academic Year</b>	2022-2023	<b>Semester</b>	2
<b>Course Coordinator</b>			
<b>Course Code</b>	ET5216		
<b>Course Title</b>	Venture Capital Investment & Practices		
<b>Pre-requisites</b>	ET5213		
<b>No of AUs</b>	4		
<b>Contact Hours</b>	Lectures: 28 hours Business Case Studies: 3x3 hours Presentations: 6 hours External Speakers : 9 hours Total : 52 hours		
<b>Proposal Date</b>	1 November 2021		

### **Course Aims**

This course helps you understand how to value startups, corporate ventures, and commercial projects by exploring different valuation models to secure Venture Capitalists (VC) funding. It is also intended to help you to begin with the end in mind. As you develop your startup for investment potential from the early stage, you are now more likely to have a desired outcome at the end.

Besides gaining a theoretical understanding of venture capital investment, you will gain first-hand perspective and guidance from practitioners. You will put on two different hats to understand venture capital investment from the perspectives of both the founder and the investor. In addition, you will learn how VC firms take an active role in the startups' performance; guidance, expertise, and industry connections can be just as valuable as financial capital.

This course enhances your understanding of venture capital investment term sheets and investment agreements, which covers important facets of the VC financing process : economic issues such as the valuation given to the company (the higher the valuation, the less dilution to the entrepreneur); control issues such as the Board of Directors composition and reserved matters, approval or "veto" rights the key investors will enjoy; and post-closing rights of the investors, such as the right to participate in future financings, senior management appointment, information rights, etc. VC's post investment roles, commitments, and contributions to the investee's growth and its exit strategy.

The course also examines a few real-life venture capital investment deals. You will identify best practices and draw lessons from actual cases to deepen your knowledge and skills in VC investment.

Pre-requisite: ET5213

## **Intended Learning Outcomes (ILO)**

Upon completing this course, you should be able to:

1. Describe Venture Capitalists (VCs) and its operations.
2. Understand and manage investment needs for start-ups at every funding cycles
3. Explain the requirements, investment terms, and conditions of a typical professional venture capital fund.
4. Understand the decision-making process by VCs in committing large amount of money to new startups companies and hoping to hit a home-run on a future billion-dollar startup.
5. Understand investment assessment criteria of VCs and formulate strategies to pitch to VCs. With so many investment opportunities and start-up pitches, VCs often have a set of criteria that they look for and evaluate before making an investment.
6. Understand startup team assessment criteria of VCs and structure the team efficiently. The management team, business plan, market opportunity, and risk judgement play a role in influencing the VC's decision to invest in startups.
7. Gain knowledge of startup building, value generations, growth targets, business models, and talents management.
8. Manage and prepare for the due diligence process.
9. Manage and negotiate the VC investment terms and expectations.
10. Prepare the investment Term Sheet for the purpose of discussions and negotiations between the entrepreneurs and partners of the VC firm.

Presentations and case studies review

## **Course Content**

- Startup and new business venture challenges and issues
- Startup building, growth values and drivers
- Financial projections and preparations
- Venture valuation model
- Financial capital cost, types, issues, and expectations
- Evaluating the startup performance using various matric
- Startup valuation at different growth phase
- VC modus operandi – investment mandate, timeline, operations, funding, etc.
- Due diligence process
- Venture capital financing
- Matters on the Term Sheet and Investment Agreement
- Managing, cooperating, and thriving with VC
- Case studies of startups funded by VC
- Alternatives to financing
- Exit strategy

**Assessment (includes both continuous and summative assessment)**

Component	ILO Tested	Related Programme ILO or Graduate Attributes	Weightage	Team / Individual	Assessment Rubrics
1. Project presentation on 2 business cases studies	1 to 10	Concept understanding, Competence, self-discipline	20%	Group	Appendix 1
2. Individual Student report	1 to 10	Competence, self-discipline, communication	30%	Individual	Appendix 1
3. Group presentation	1 to 10	Teamwork, character building, mutual respect, innovative & creative thinking, cross-discipline collaboration, research and presentation skills	30%	Group	Appendix 1
4. Quiz	1 to 10	Concept understanding, competence, self-discipline	10%	Individual	
5. Class participation	1 to 10	Communication, innovative and creative thinking, collaboration	10%	Individual	Appendix 2
<b>Total</b>			<b>100%</b>		

**Formative feedback**

You will receive constructive feedback through both written and verbal responses on your group presentations reports and individual report at every development stage.

**Learning and Teaching approach**

Approach	How does this approach support you in achieving the learning outcomes?
Project Discovery	This course adopts the “Project Discovery and Executive” approach. It focuses on inculcating a culture of proactive individual and collaborative learning. The instructors, trainers, and guest speakers are to facilitate discussions and guide you to acquire fundamental

	concepts and theories. You are expected to adopt, adapt, and synthesize the acquired concepts and theories into practice.
Presentations	You are required to present your research and findings to your peers. This supports peer-learning as well as developing research and presentation skills.
Group Work	This will provide opportunity for you to learn from one another and to contribute actively throughout the learning process. The group-based learning will help you to develop skills that are highly valued by employers (such as problem solving, conflict resolutions, business negotiations, leadership skills, critical thinking and time management).

### Reading and References

1. Leslie Berlin, *Troublemakers: Silicon Valley's Coming of Age*, Edition 2017
2. Margaret O'Hara, *The Code: Silicon Valley and the Remaking of America*, Edition 2019
3. Scott Kupor, *Secrets of Sand Hill Road: Venture Capital-and How to Get It*, Edition 2019
4. Brad Field, *Venture Deals: Be Smarter Than Your Lawyer and Venture Capitalist*, Edition 2011
5. Tarang Shah, *Venture Capitalists At Work*, Edition 2011
6. *How Venture Capital Works*, Bod Zider, Harvard Business Review, Nov-Dec 1998

### Course Policies and Student Responsibilities

#### (1) General

You are expected to complete all assigned pre-class readings and activities, attend all seminar classes punctually and take all scheduled assignments and tests by due dates. Participants must take responsibility to follow up with course notes, assignments, and course related announcements for seminar sessions missed. Throughout the session, students are encouraged to participate in all seminar discussions and activities.

#### (2) Absenteeism

Absence from class without a valid reason will affect your overall course grade. Valid reasons include falling sick supported by a medical certificate and participation in NTU's approved activities supported by an excuse letter from the relevant bodies.

If you miss a lecture, you must inform the course instructor via email prior to the start of the class.

### Academic Integrity

Good academic work depends on honesty and ethical behaviour. The quality of your work as a student relies on adhering to the principles of academic integrity and to the NTU Honour Code, a set of values shared by the whole university community. Truth, Trust and Justice are at the core of NTU's shared values.

As a student, it is important that you recognize your responsibilities in understanding and applying the principles of academic integrity in all the work you do at NTU. Not knowing what is involved in maintaining academic integrity does not excuse academic dishonesty. You need to actively equip yourself with strategies to avoid all forms of academic dishonesty, including plagiarism, academic fraud, collusion and cheating. If you are uncertain of the definitions of any of these terms, you should go to the [academic integrity website](#) for more information. Consult your instructor(s) if you need any clarification about the requirements of academic integrity in the course.

### Course Instructors

Instructor	Office Location	Phone	Email
Frankie Lee			Frankie.lee@ntu.edu.sg

### Planned Weekly Schedule

Week	Topic	ILO	Readings/ Activities
1	Course Introduction to Venture Capitalists <ul style="list-style-type: none"><li>- Historical development</li><li>- Focus and domain expertise</li><li>- Roles, development, and contribution</li><li>- Alternative financing</li></ul>	1	In-class lecture, discussions, group formation, and reading materials update.
2	Startup Financing Needs <ul style="list-style-type: none"><li>- Financial projections</li><li>- Funding cycles</li><li>- Financial Projections</li></ul>	2	In-class lecture, discussions, and reading materials update.
3	Venture Capitalists Operations I <ul style="list-style-type: none"><li>- Operations</li><li>- Investing process</li><li>- Managing &amp; monitoring</li><li>- Exit strategy</li></ul>	3 & 4	In-class lecture, discussions, and reading materials update.
4	VCs & Corporate Investors (Seminar)	2 to 10	Sharing sessions by practitioners

5	Funding process & Challenges (Seminar with VCs and Startup CEOs)	2 to 10	Sharing sessions by practitioners
6	Investment strategies (Seminar with VCs & Corporate Investors)	2 to 10	Sharing sessions by practitioners
7	Company Valuations - Fundamentals - Valuation methods - IPO & M&A	1 to 5	In-class lecture, discussions, and reading materials update.
8	Venture Capitalists Operations II - Portfolio management - Managing multiple pitches - Due diligence process	1 to 5	In-class lecture, discussions, and reading materials update.
9	Startup Preparations I - Building and growing value - Exit strategy - Corporate governance	6 to 10	In-class lecture, discussions, and reading materials update.
10	Startup Preparations II - Due diligence - Investment pitch - What can go wrong	6 to 10	Group Discussions
11	Alternatives to Financing (Seminar by CEO of listed companies) - M&A route - IPO route	All	Group Discussions
12	Project Presentation	All	Group Presentation
13	Project Presentation -Submission of Individual Report -Intra-Group Peer Appraisal	All	Group Presentation; Report submission; Peer appraisal evaluation

**Appendix 1: Assessment Criteria**

Students will form groups of 4 or 5 students and each group students are required to launch an actual business or a project of entrepreneurial endeavor. They shall be assessed through:

1. Project Presentation (Group - 20%) – Comprehensive presentation and write-ups on two business case studies from the instructor
2. Student Report (Individual - 30%) – Comprehensive report, related to the fund-raising preparation of their start-ups and business and on the fund-raising preparation process
3. Group Presentation (Group – 30%) - Comprehensive presentation, detailed and elaborate analysis of businesses of criteria set by instructor, with comprehensive business pitching

<b>*Project Presentation on 2 Business Case Studies: 20% (Group)</b>					
<b>Criteria</b>	<b>Far exceed expectation</b>	<b>Exceed expectation</b>	<b>Meet expectation</b>	<b>Below expectation</b>	<b>Far below expectation</b>
	<b>18-20%</b>	<b>15-17%</b>	<b>11-14%</b>	<b>6-10%</b>	<b>0-5%</b>
<b>(1) Project Presentation on 2 Business Case Studies</b> Clarity, easy to understand format, accurate use of concepts in presentations, detailed and comprehensive explanation					

\*Project presentations on 2 case studies - Instructor will provide background information on 2 given case studies and reading materials for students to unpack the progress of company from inception to where it is now. Students to study and research the ingredients of success and failures from the perspective of investors with the content knowledge that they have learnt.

<b>Student Report related to fundraising for their startups &amp; business: 30% (Individual)</b>					
<b>Criteria</b>	<b>Far exceed expectation</b>	<b>Exceed expectation</b>	<b>Meet expectation</b>	<b>Below expectation</b>	<b>Far below expectation</b>
	<b>26-30%</b>	<b>21-25%</b>	<b>16-20%</b>	<b>11-15%</b>	<b>0-10%</b>
<b>(2) Student Report on the fund-raising for the startup and business.</b> To write and submit a business plan to secure investment and pitching.					

<b>**Group presentation on 2 cases: 30% (Group)</b>					
<b>Criteria</b>	<b>Far exceed expectation</b>	<b>Exceed expectation</b>	<b>Meet expectation</b>	<b>Below expectation</b>	<b>Far below expectation</b>
	<b>26-30%</b>	<b>21-25%</b>	<b>16-20%</b>	<b>11-15%</b>	<b>0-10%</b>
<b>(3)Group Presentation on 2 cases</b> Clarity, easy to understand format, detailed and elaborate analysis, comprehensive business pitching					

\*\* Group presentation on 2 cases (companies) - Students to select the 2 companies based on the criteria set by instructor. They can choose companies in growing space in different domains from fintech to eCommerce, to biotech , to medtech. Students are to do a detailed analysis of the development of the companies from one point to the next and the successes and challenges encountered, using the content knowledge learnt.

<b>Team Member being evaluated (Name):</b>					
(i) Is well prepared and punctual for meetings, has completed required readings and research.	1	2	3	4	5
(ii) Active engagement during discussion, provides useful feedback to other team members while accepting constructive feedback from others, respectful of others, cooperative and remains task-focused.	1	2	3	4	5
(iii) Timely response to questions outside of team meetings, engage in information sharing and exchange, continual active & constructive participation in the discussion process.	1	2	3	4	5
(iv) Quality and completeness of work allocated, timely completion by deadline.	1	2	3	4	5
<b>TOTAL POINTS</b>					
Provide constructive feedback for this team member (consisting of two to three sentences).					

Your TOTAL POINTS will be averaged based on the number of members in your team.

- If your average point is 70% and above, your marks for the team project will be the same as your team marks.
- If your average point is 50% and above but below 70%, your marks for the team project will be your team marks less between 5 to 10 marks, depending on the average point received.
- If your average point is less than 50%, your marks for the team project will be your team marks less between 11 to 20 marks, depending on the average point received.

## Appendix 2

### Assessment Criteria for CLASS PARTICIPATION – INDIVIDUAL (10%)

Classroom discussion is vital to the learning process in this course. Each student is expected to contribute to class discussions and appropriate marks will be awarded continuously throughout the course on the basis of the quality of one's contribution. Assessment criteria will include demonstration of analytical capability, integrative thinking, and interpersonal and communication skills. Merely showing up for class does not constitute a contribution.

Excellent quality comments, remarks, and questions are those that move the discussion forward by:

- (1) revealing important issues;
- (2) making decisions and offering opinions that are well thought out and logical; and
- (3) debating or challenging your classmates without personal attack

Criteria	7% – 10%	4% – 6%	0% - 3%
<b>Listening</b>	Actively and respectfully listens to peers and instructor. Student incorporates or builds on the ideas of others.	Sometimes displays lack of interest in comments of others.	Projects lack of interest or disrespect for others, interrupts with no constructive & objective comments.
<b>Preparation</b>	Arrives fully prepared with all assignments and self-practices completed, and notes on reading, observations, questions.	Sometimes arrives unprepared or with only superficial preparation.	Exhibits little evidence of having read or thought about the course materials.
<b>Level of Engagement, Contributions to Class</b>	Proactively contributes to class by offering ideas and/or asks questions frequently and/or works consistently on group project the entire time. Comments are relevant and reflect understanding of course materials; previous remarks of other students; and insights about the course materials.	Often to seldom contributes to class by offering ideas and asking questions and/or works on group projects only some of the allotted time. Comments are sometimes irrelevant, displays lack of preparation, or indicate lack of attention to previous remarks of other students.	Rarely or never contributes to class by offering ideas and asking questions and/or has trouble staying on task during group project time. Comments are minimal, reflect little understanding of either the assignment or previous learnings in seminar.

