Summary

The course applies finance tools and concepts to the world of venture capital and financing of projects in high-growth industries. Students are introduced to all institutional aspects of the venture capital industry. Students analyze various aspects of VC finance using an investors’ perspective.

Content

1. Introduction to venture capital
2. Methods for valuation of high-growth companies
3. Venture capital investing and option pricing analysis

Keywords

Venture capital - Private equity - Finance of innovation - Valuation - Option pricing theory

Learning Prerequisites

Required courses
Introduction to finance

Recommended courses
Investments

Learning Outcomes

By the end of the course, the student must be able to:

• Describe all the institutional aspects of the venture capital industry.
• Give an example of the asymmetric information problem that drives contracting in the venture capital industry
• Recall discounted cash-flow and comparables valuation techniques
• Apply finance tools and concepts to the world of venture capital and financing of projects in high-growth industries.
• Use option pricing techniques to price the preferred securities issued to venture capitalists
• Describe how leveraged buyout transactions work

Transversal skills
• Plan and carry out activities in a way which makes optimal use of available time and other resources.
• Give feedback (critique) in an appropriate fashion.
• Take feedback (critique) and respond in an appropriate manner.
• Summarize an article or a technical report.

Teaching methods
Lectures, homework, case studies, expert talks, exercises

Assessment methods
30% Homework and case studies
25% midterm exam
45% Final exam

Homework is open book. Midterm and final exam are closed-book.

Supervision
Assistants Yes

Resources
Virtual desktop infrastructure (VDI)
No

Bibliography
Venture Capital and the Finance of Innovation by Andrew Metrick and Ayako Yasuda, John Wiley and Sons.

Ressources en bibliothèque
• Venture Capital and the Finance of Innovation / Metrick