

LSE SUMMER SCHOOL 2022

Entrepreneurial Finance

The course examines the financial elements of entrepreneurial firms, focusing on technology-based start-up ventures and the early stages of company development. It focuses on the complexities of valuating and financing young, high potential ventures.

You will address the key questions which challenge all entrepreneurs: how much money can and should be raised; when should it be raised and from whom; what is a reasonable valuation of the company; and how should funding, and exit decisions be structured?

The course will make extensive use of case studies, with a particular focus on technology-based businesses. Students will follow the founding history of a software unicorn from its early steps to exit. We will also examine a fast-growing on-demand food delivery start-up that is seeking an investor to cover its increasing need for working capital, and explore the information and context needed to value Peloton, the subscription-based fitness company whose stock price dropped after its IPO.

While primarily focusing on the entrepreneur's perspective, we will also consider the investor's viewpoint, in order to understand their motivations and incentives to avoid financing pitfalls and successfully negotiate the best financing outcome for a venture.

Lecturer: Dr. Juanita Gonzalez-Uribe and Prof. Daniel Paravisini

Lectures: 36 hours

Classes: 18 hours

Assessment*: Two written examinations

Prerequisites

Students should have previously studied Introductory Finance and Accounting, and possess basic mathematics and statistics skills.

Key topics

Introduction and Business Plans

Business Plans

Multistage Financing

Deal Structure

Seed Financing

Venture Capital Method

Negotiation

Exit Strategies

Guest Lecture: Venture Capital Investor and Entrepreneur

Pitching primer and mocks

Pitching competition and evaluation

Pitching follow-ups and conclusions

Programme structure and assessment

Course content will be delivered primarily through in-class discussion, debate, presentations and exercises. As in entrepreneurial settings, available data is often ambiguous or uncertain, so students will be pushed to develop a sense for whether their assumptions are reasonable. How you think about your assumptions as opposed to reaching a “right” answer is emphasised. You should be prepared to discuss and debate your reasoning, both in and outside lectures.

Daily formative assessments, including case studies, will be discussed during lectures and class. The teaching assistants and professors will provide feedback to students on their performance on these assignments to ensure that students understand key concepts and tools and are well-prepared for the summative assessments.

The course grade will be determined by a final examination and a business plan exercise (summative assessments):

Two-hour final examination (50%; Friday Week 3)

Business Plan Exercise (50%). This team-based project runs over the three weeks and students will be assessed on several deliverables, including progress reports and an in-class presentation

Reading materials

M. Da Rin, and T. Hellman, 2020, Fundamentals of Entrepreneurial Finance, Oxford University Press

Additional Text:

J.Lerner, A. Leamon and F.Hardymonm, Venture Capital, Private Equity, and the Financing of Entrepreneurship, Wiley

The course pack also includes lecture notes and case studies for summative and formative assessments.