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# Entrepreneurial Finance

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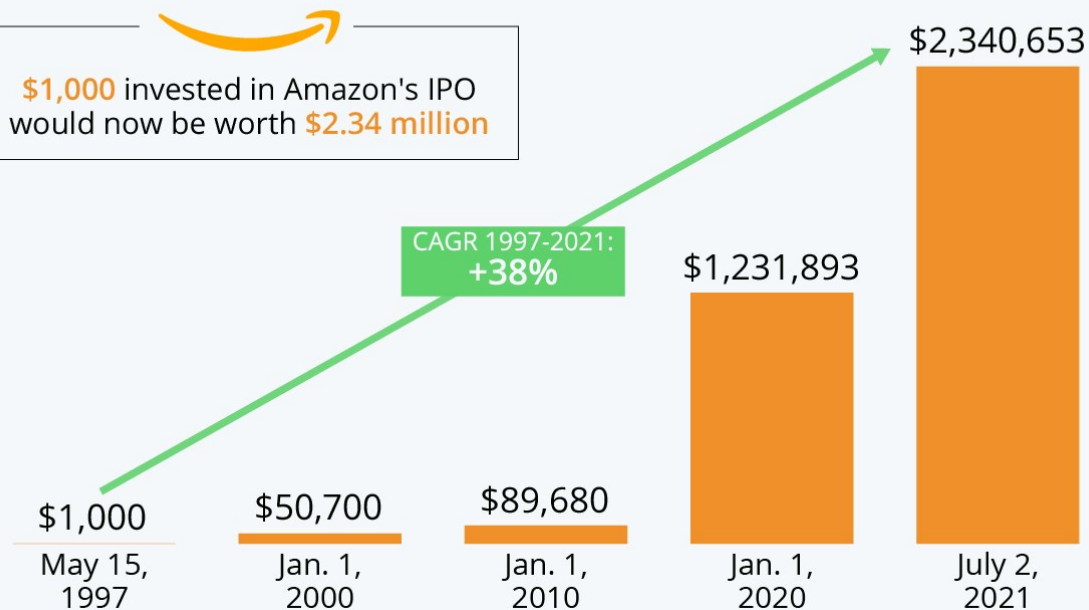
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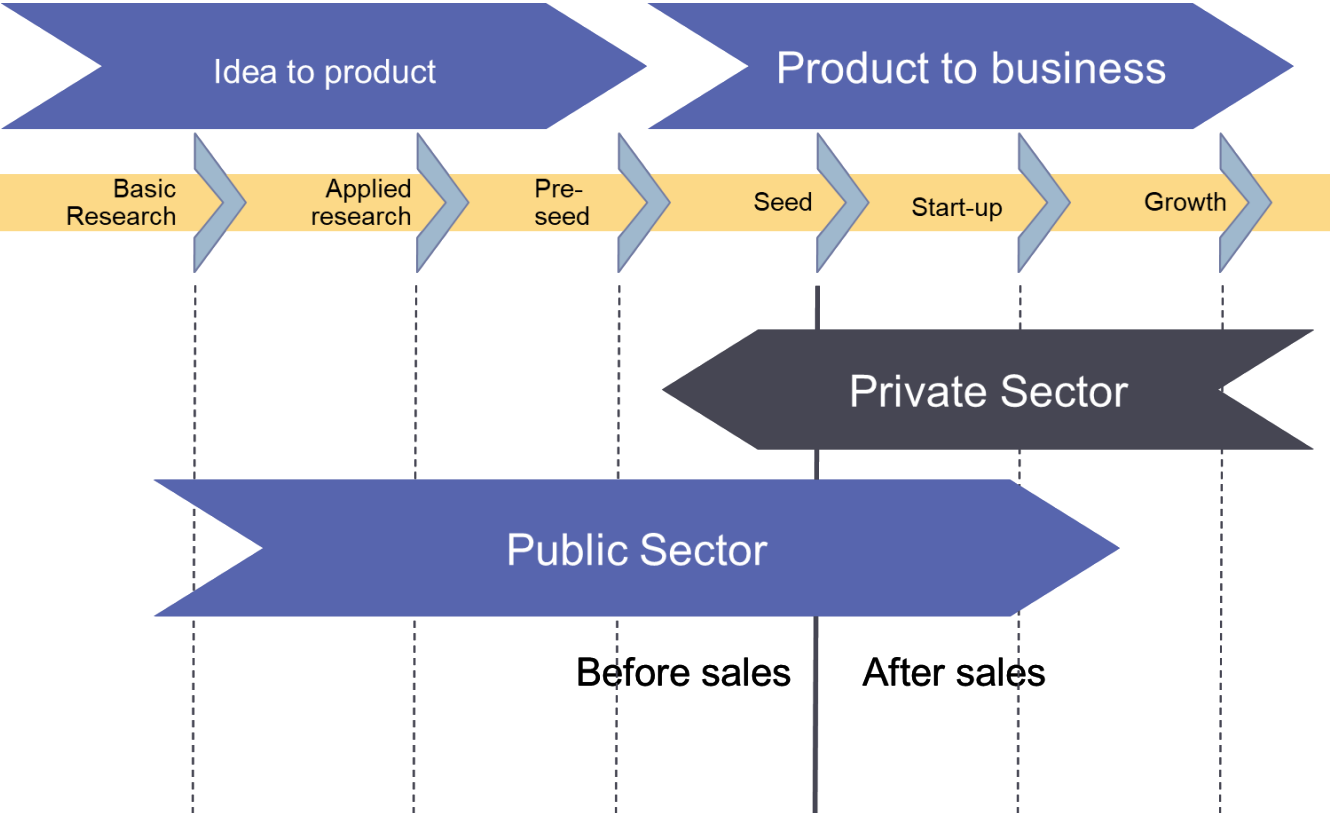
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# If You Had Invested in Amazon's IPO...

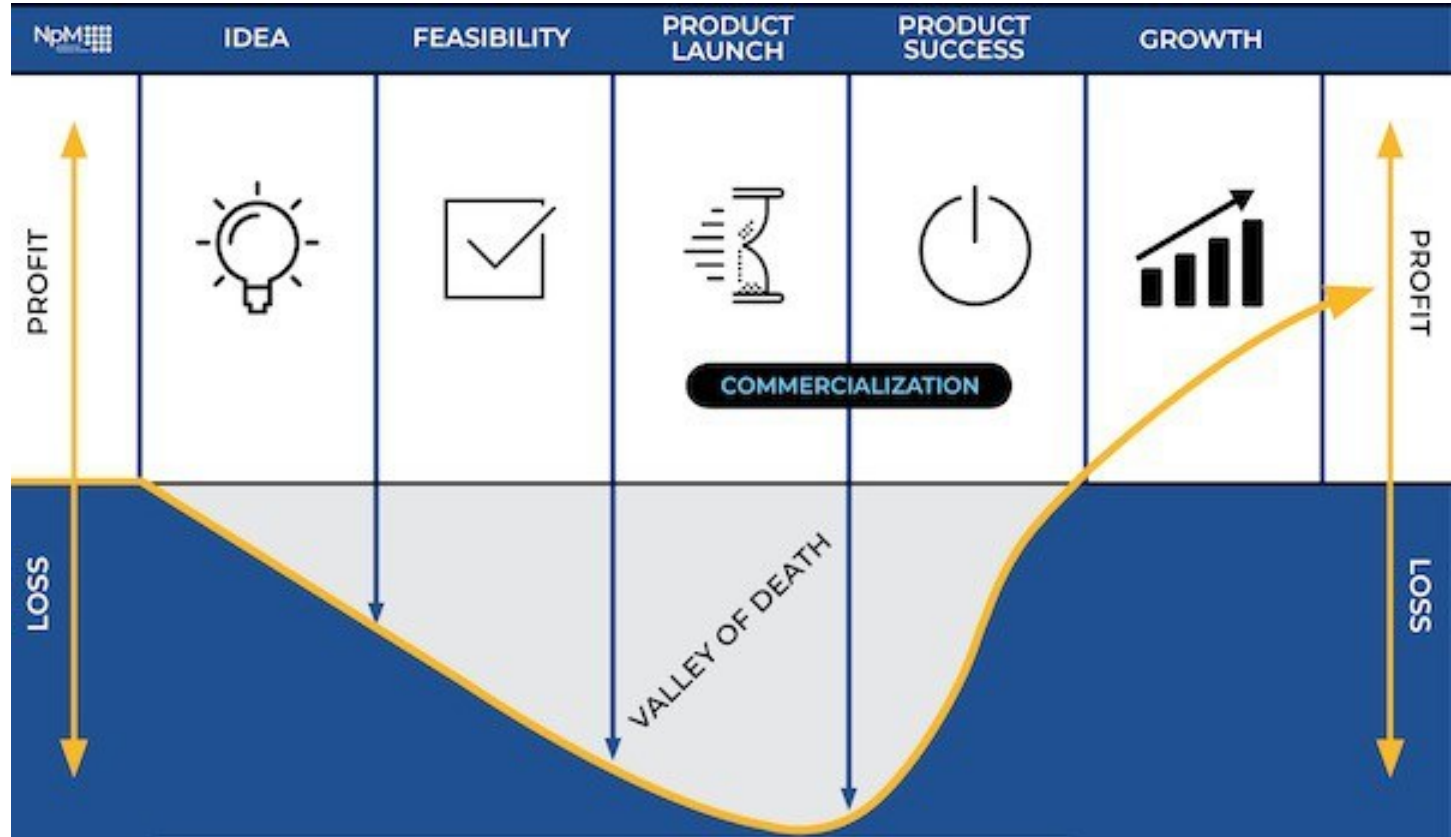
Value of \$1,000 invested in Amazon's IPO in May 1997\*

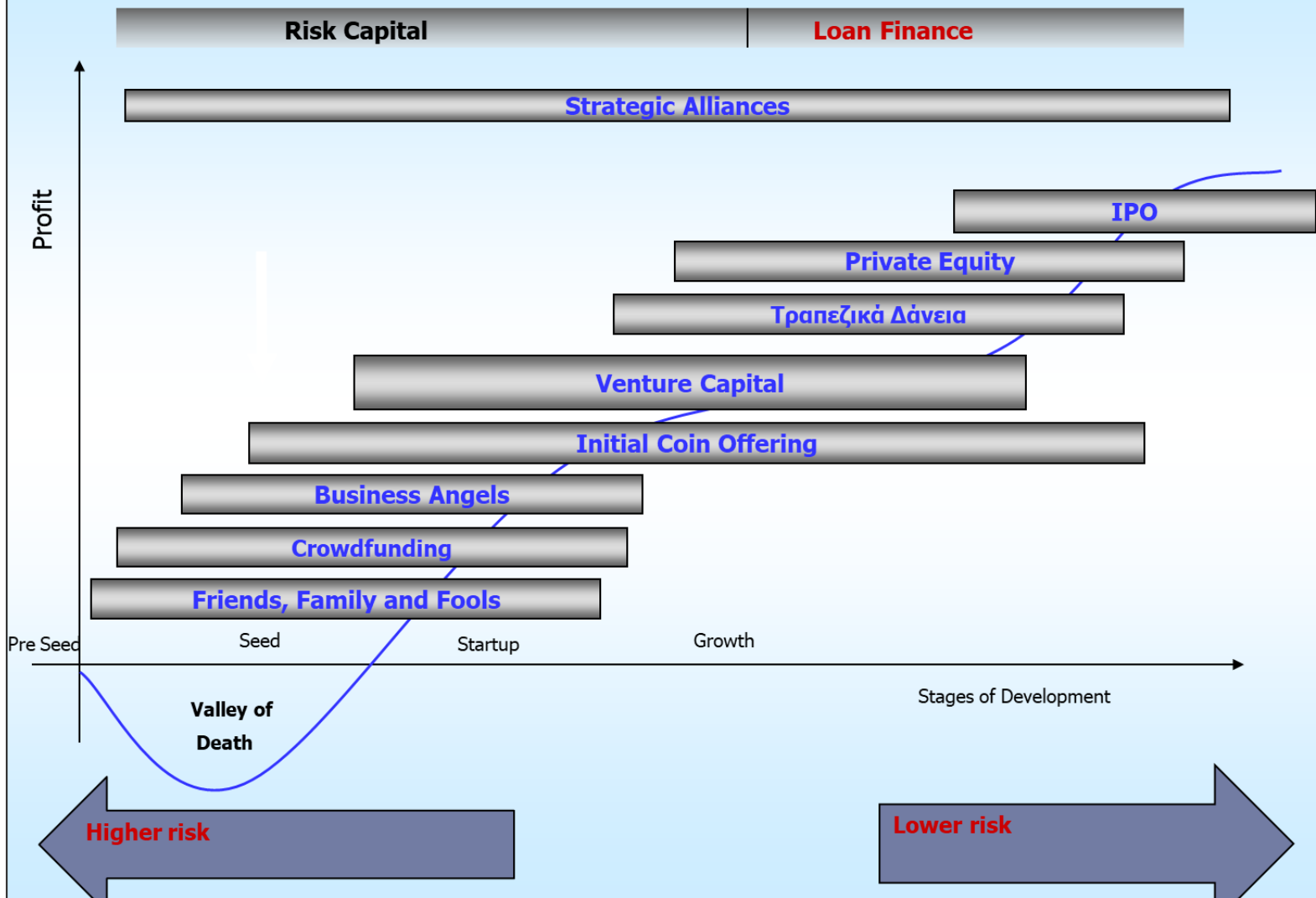


# Entrepreneurial Finance



# The Valley of Death





# Entrepreneurial Finance

## 1. Classic finance tools

- Bootstrapping
- Friends, Family and Fools
- Loans
- Subventions
- Research projects

## 2. Business Angels

## 3. Venture Capitals

## 4. Corporate Venture Capitals

## 5. Corporate Investors

## 6. Accelerators

## 7. Crowdfunding

## 8. ICO (Initial Coin Offerings)

# Can I start without funding? ...provide services?

*Can start your business first by offering services and then by building your dream product?*

Creating revenues from services may have a positive effect for three reasons:

- 1) Revenues.** The creation of revenues can (at least partly) help you develop your dream product (see also the next text about bootstrapping).
- 2) Experiences.** This is especially significant for people who have not run a business before. Passing through 'children's illnesses' when there is not so much in stake (investments, employees etc.) can give you valuable experience down the road.
- 3) How other people see you.** Passing the threshold of having convinced a number of customers to buy from you, makes third parties (partners, investors, employees) more comfortable in working with you.

# Can I start without funding? ...bootstrapping?

**Bootstrapping** is building a company from the ground up with nothing but personal savings

## **Advantages:**

- It **keeps you focus** on what you suppose to do best: build a product and convince your customers. Searching for external funding is time-consuming and, as a founder, your most precious resource isn't money; it's time.
- Founders **keep full control of their firm**. If things go as (business) planned – and they seldom do – your investors will be happy. However, if things are not going as planned, financial pressures will sap your ability to be creative.

## **Disadvantages:**

- You might **not be able to develop as fast as desired**. For fast moving industries this might be crucial.
- Investors at an early stage are trying to offer 'smart money' providing (often crucial) networking and advice. By funding yourself, you might **lose out on valuable networking or in-kind benefits**. In addition, the reputation of your investor can add a great value on your startup.

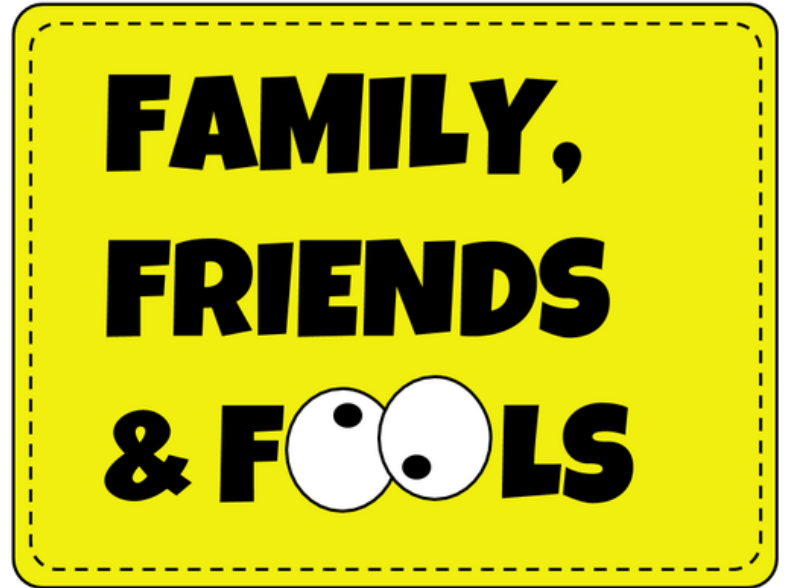


# Friends, Family and Fools (FFF)

A large number of startups got their first check from friends or family.

Usually there is not much of a due diligence in the process as friends and family believe more in founders than on the product.

Don't forget that this money is connected to a **personal relation** that could potentially (more or less) affect your company.



# Business Angels

An angel investor is a **wealthy individual** who provides financial backing for startups in exchange for ownership equity in the company.

Most of the time, they conduct **hands-on investments**.

**They bring their personality** into the startup (for better or for worse).

A business angel's network and experience might be much more important than the cash they bring in. This is called '**smart money**'.

Business Angels are often organized in **Business Angel Networks** (BANs).



# Business Angels

heban

Hellenic Business  
Angels Network



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## Business Angels Network

15 years investing in the future

**200+**

Startups financed

**€40m+**

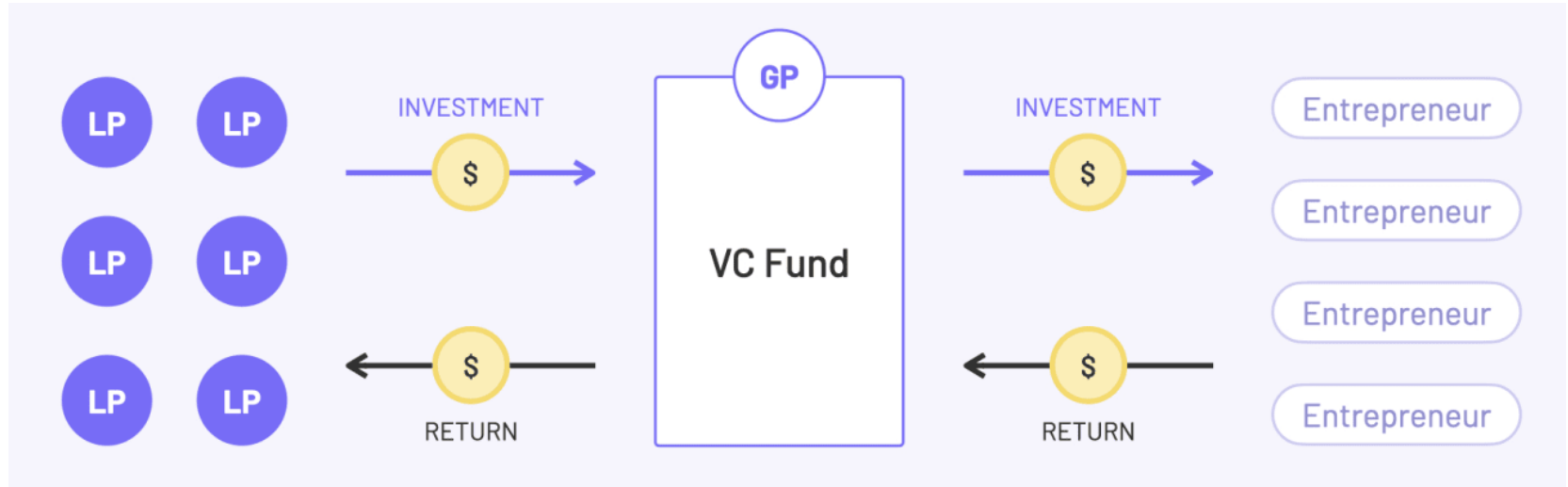
Total direct  
investment

**3,000+**

Jobs created

# Venture Capital

Here we are talking about professionals investing other people's money. VCs become more and more focused (on an industry) and more and more hands-on.



VC investors at this stage will carefully examine how were things up to this point. This process is called 'due diligence' and it can take a considerable amount of time and effort from both sides.

# Venture Capital

To address a Venture Capital you need

- a sound business plan
- a track record of at least a few (happy) clients

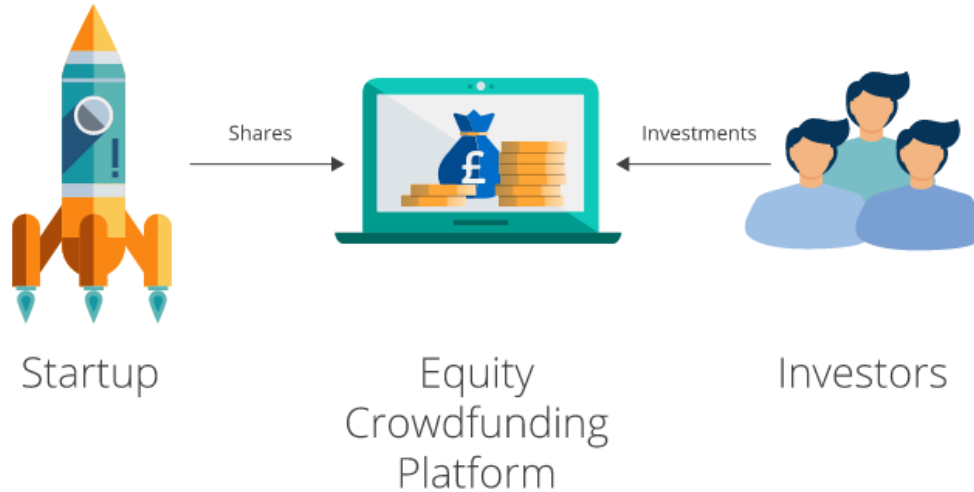
Lately, we also experience the rise of **Corporate Venture Capitals** (CVCs), namely VCs funded and operated by large corporations. Most CVCs are tightly linked to the mother company's strategy (again for better or worse).



**SAMSUNG VENTURE  
INVESTMENT**

# Equity crowdfunding

Instead of having one investor with a large part of the shares, you have a large number of shareholders, each one having a small fraction.



This could be a 'quick' solution engaging a large number of people (you need that especially if you are B2C) but managing a large number of shareholders and their expectations, plus the legislator's requirements on financial disclosure, might be challenging.

# Accelerators

Highly-competitive short-term programs providing

- Initial capital
- Coaching
- Mentoring
- Networking
- Space
- Education

**NOT** all accelerators provide funding.



Y

Y Combinator created a new model for funding early stage startups.

Twice a year we invest [\\$500,000](#) per company in a large number of startups.

We work intensively with the companies for three months, to get them into the best possible shape and refine their pitch to investors. Each cycle culminates in Demo Day, when the startups present their companies to a carefully selected, invite-only audience.

But YC doesn't end on Demo Day. We and the YC alumni network continue to help founders for the life of their company, and beyond.

[Learn More](#) ↪ [Application FAQs](#) ↪

# Equity crowdfunding



Investors ▾ Businesses ▾

Investment opportunities

Log in

Join

**ZW M.**

**Zero Waste Movement**

Sweden Equity

12 days left

89%

€134,952.51

Raised

144

Investors

€150,000

Target

8.62%

Equity

€1,590,052

Pre-money valuation

€23.73

Share price

ZWM™ champions the replacement of conventional plastic tech accessories with more sustainable and biodegradable alternatives. Having sold 150.000/pcs in the last 2 years and with a market worth €278 Billion (2020) to target, they are now pushing Direct-to-Consumer (D2C) channels to further growth.



- **Business model includes both Direct-to-Consumer and Retail. (B2B clients include Spotify@)**
- **Great response from the market and including consumers, retailers and distributors.**
- **Carbon Neutral by planting trees for each product sold. (Eden Projects - see FAQ)**
- **Committed team passionate about sustainability and ethical business.**



# Dilution...

When raising capital, a startup is issuing new shares.

*E.g. Our company has 100 shares in total. Our first angel investor provided 100K and he owns 30 shares (30% of the company).*

$$\frac{30 \text{ Owned Shares}}{100 \text{ Total Shares}} = 30\% \text{ Equity Stake}$$

*A VC now provides 1Mil Euros for 33,3% of the shares. We issue 50 new shares decreasing the percentage of others.*

$$\frac{30 \text{ Owned Shares}}{150 \text{ Total Shares}} = 20\% \text{ Equity Stake}$$

When a previous shareholder's percentage of equity decreases due to additional shares issued during a later round, this is called **dilution**.

# Reward-based crowdfunding

Crowdfunding is an electronic "shelf" that can be used for pre-sales for a certain period of time (usually 30-90 days).

Crowdfunding is addressing B2C markets. It is acceptable for the product not to be ready (simulation, prototype, etc.).

Placing your product on the "shelf" is no guarantee of success. A video is essential, Social Media is No1 channel of communication.



Kickstarter is now open in Poland, Greece, and Slovenia

Creators in these countries can now launch projects with their local bank accounts and currencies.

[Read more](#)

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