Finance 651: Entrepreneurial Finance

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Office hours: By appointment

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**Class time / location:**  
Section 1: Mon, Thu, 9:00am, Mosler Classroom  
Section 2: Mon, Thu, 12:30pm, Mosler Classroom  
Section 3: Mon, Thu, 3:00pm, Mosler Classroom

**Materials**

The only course materials are a course packet containing the cases that we will discuss in class. I will make supplemental materials such as handouts to accompany lecture notes available at the end of each lecture on Canvas.

**Course Description**

This course is designed to introduce students to the challenges and pitfalls of financing new enterprises. We will mostly use the case method, but I will supplement this approach with lectures when appropriate.

Broadly speaking, we can think of entrepreneurial financing decisions in terms of a life cycle. The cycle begins with identifying opportunities, moves to marshaling resources to take advantage of these opportunities and executing the business plan, and ends with harvesting the venture's success. Accordingly, the course will touch upon three broad areas:

- **Identifying and Valuing Opportunities:** Will this idea make or lose money? What must happen for this venture to succeed? Are these people the right people for the job? This section will focus on identifying good ideas, separating them from bad ideas, and in general, valuing the asset side of the balance sheet.
• Financing Alternatives: Which sources of funds offer the most attractive terms? This section will focus on the liabilities and net worth side of the balance sheet, and will study how various financial contracts affect the incentives of financiers and entrepreneurs. We will also focus on alternative financing vehicles, such as joint ventures, and strategic alliances. When we explore alternative financing vehicles, the emphasis will be on the costs and benefits of partnering with strategic investors relative to seeking standard VC financing.

• Harvesting Opportunities: How do entrepreneurs and early stage investors exit their investments so that they can move on to the next opportunity?

Course Requirements

This course will require substantial preparation. I expect all students to arrive in class ready to open the case and provide meaningful contributions to class discussion. In particular, you will be required to:

• Submit on Canvas four group, as well as three individual write-ups.  
• Active participation in the class discussion.  
• Hand in a final group project in the last week of classes.

Your grade will be determined by class participation (1/3), your group and individual case write-ups (1/3), and the final project (1/3).

Class Participation

The class participation grade includes class attendance (50%), as well as participation in class discussion (50%). Students are allowed up to 2 absences (no justification required) during the term.

Cases

I will provide study questions for each case. The study questions are often vague. This is intentional: being presented with vague questions is great life preparation.

• Group cases should include no more than three pages of text, individual write-ups should be limited to one page of text. Feel free to attach as many numerical calculations as are necessary to support your analysis.
• Cases will be graded on the basis of quantitative calculations and qualitative analysis. Write-ups should address the suggested questions directly as if they were posed by an investor or a CFO. Recommendations should be supported using case data and all the assumptions used in the calculations must be made clear. Cases will receive a grade of 1, 2 or 3 (3 being the highest) based on the clarity of the exposition, soundness of analysis, and evidence of effort.

• Group structure:
  o Students may work in groups of 3 to 5 students. There are no exceptions to this rule. Groups are restricted to students in the same section.
  o Please create the teams using the Team Builder tool. This tool is available through FuquaWorld.
  o Group diversity: When forming your team, please ensure your team is diverse (in terms of demographics such as gender or race or ethnicity, class year, etc.). Please include one short paragraph at the end of the first assignment (TDC) explaining why your team is diverse.
  o If you don’t know others enrolled in the course, please come to the Mosler Classroom between 11:30 and 12:15pm on March 20th (i.e., immediately after the first 9am class) to meet potential members of a team.

• Write-ups for a particular case must be turned in online in Canvas by 9am of the day in which that case is discussed. Cases turned in after this time will not be accepted. If you cannot upload your case for technical reasons, please email me your write-up by this time.

<table>
<thead>
<tr>
<th>Case</th>
<th>Group/Individual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technical Data Corporation (Class 2)</td>
<td>Group</td>
</tr>
<tr>
<td>Florida Air (Class 3)</td>
<td>Individual</td>
</tr>
<tr>
<td>Athleta (Class 4)</td>
<td>Group</td>
</tr>
<tr>
<td>Skybox (Class 5)</td>
<td>Individual</td>
</tr>
<tr>
<td>Irongate (Class 6) or Parenting (Class 7)</td>
<td>Group</td>
</tr>
<tr>
<td>AngelList (Class 8) or Avid (Class 9)</td>
<td>Group</td>
</tr>
<tr>
<td>Dianex (Class 10)</td>
<td>Individual</td>
</tr>
</tbody>
</table>

In addition to the slides that we cover in class, I will also make my spreadsheets with the case solutions available to everyone on the class website.
Final Group Project: Unicorn or Unicorpse?

In this final group project you are required to evaluate a startup currently defined as a unicorn according to this list: [https://www.cbinsights.com/research-unicorn-companies](https://www.cbinsights.com/research-unicorn-companies). You are required to submit a 5 page write-up (plus attachments) and prepare a 15 minute (≤ 5 slides) presentation. The deadline for uploading the final project on Canvas is Monday, April 24, at 9am. Additional instructions for the final group project are available on Canvas.

Classroom Norms

We will adhere to the Fuqua Classroom Norms. I have included a copy of the norms at the end of the syllabus for you reference.

Class List

- Class 1: Introduction and overview
  - Sinclair: A New Power in Personal Transport

- Class 2: Overview of business plans
  - Technical Data: (HBS #9-283-073)

- Class 3: Team, Opportunity and Context
  - Part I: Florida Air (Stanford GSB E-13)
  - Part II: Smartix: Swinging for the Fences (HBS #9-808-110)

- Class 4: Strategy and Valuation
  - Athleta (HBS #9-803-045)

- Class 5: Skybox + Options and Strategic Flexibility
  - Skybox on Waveland

- Class 6: Venture capital financing
  - Iron Gate (Chicago GSB)
- Class 7: Strategic partners
  - Parenting Magazine (HBS #9-291-015)

- Class 8: Angel financing
  - AngelList (HBS #9-814-036)

- Class 9: Biotech week (Part 1): Venture Debt
  - Avid Pharmaceuticals (HBS #9-809-086)

- Class 10: Biotech week (Part 2): Negotiating a Deal
  - Dianex

- Class 11: Unicorn or Unicorpse?

- Class 12: Unicorn or Unicorpse?
Fuqua Classroom Norms

Promptness

- Classes will start on time and end on time; breaks will end at the time specified. Students should be in their seats and prepared for class discussion before class starts and before the break ends.
- Always bring your name tent.
- Some classes have handouts and/or require you to turn in an assignment before class starts. You should arrive in time to pick up a handout at the front of the class or turn in an assignment. Don’t walk to the front once class has started.
- If you arrive late, take a seat at the back of the classroom so as to avoid disturbing others. It is fine to move into a better seat at the break.

Courtesy—in general

- Don’t leave the classroom while class is in session. Wait until a break or until class ends. If you are ill, or awaiting news because of a family emergency, let the instructor know before class and sit at the back of the classroom.
- All electronic devices should be turned off during class. If you need to be in touch because of a family emergency, let the instructor know before class and keep your device on vibrate.
- Eat before you come to class; beverages are okay.
- Clean up after yourself and others.

Courtesy—class discussion

- During the class discussion:
  - Listen carefully: to the professor, to your classmates.
  - Raise your hand when you want to speak and wait to be acknowledged by the professor.
  - Do not interrupt someone else who is speaking.
  - If someone else makes the comment you planned to make, put your hand down. Don’t repeat a comment someone else has already made.
  - Be respectful of others’ comments and ideas.

Preparedness

- Come to class having completed all the assigned readings, cases, and other assignments.
- Bring all the necessary class materials with you to class including cases, readings, and an extra copy of your assignment (if one is due).
- Cold calls are fair game, though it is better if you initiate the discussion.