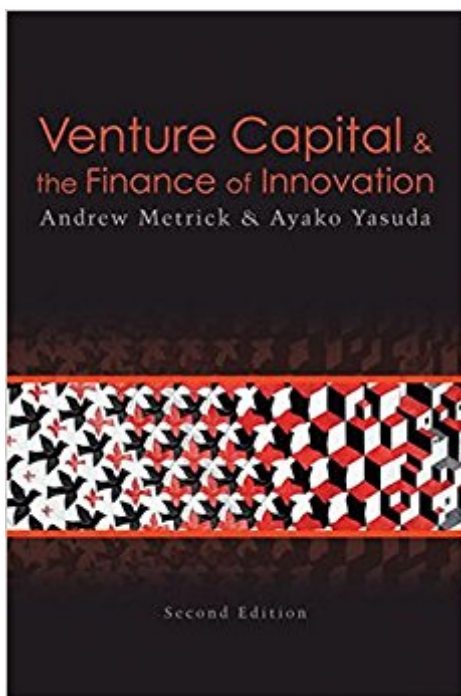


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Venture Capital And The Finance Of Innovation, 2nd Edition



Synopsis

This useful guide walks venture capitalists through the principles of finance and the financial models that underlie venture capital decisions. It presents a new unified treatment of investment decision making and mark-to-market valuation. The discussions of risk-return and cost-of-capital calculations have been updated with the latest information. The most current industry data is included to demonstrate large changes in venture capital investments since 1999. The coverage of the real-options methodology has also been streamlined and includes new connections to venture capital valuation. In addition, venture capitalists will find revised information on the reality-check valuation model to allow for greater flexibility in growth assumptions.

Book Information

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Customer Reviews

"Despite the increasing importance of the venture capital industry, until now there was no reference that could provide practitioners with a specialized grounding in finance. With clear explanations and practical models, Metrick's book can fill this gap. I enthusiastically recommend this book to all venture capitalists." —Ted Schlein, Partner, Kleiner Perkins Caufied & Byers --This text refers to an out of print or unavailable edition of this title.

THE FINANCIAL PRINCIPLES EVERY VENTURE CAPITALIST NEEDS TO MASTER In Venture Capital and the Finance of Innovation, Second Edition, future and current venture capitalists will find a useful guide to the principles of finance and the financial models that underlie venture capital

decisions. Assuming no knowledge beyond concepts discovered in first-year MBA courses, the book will familiarize you with: The relationships between risk and return in venture capital. Total Valuation-the data and methods used to value a high-growth company. Partial Valuation-how to visualize and evaluate the special features of VC transactions such as convertible preferred stock, participating preferred stock, payment-in-kind dividends, and liquidation preferences. New to the Second Edition: NEW Rankings of the best venture capitalists. NEW web-based model (VCVtools.com) allowing easy visualization and valuation so multiple term sheets in a start-up. Discussion of challenges facing venture capital in the second decade of the 21st century.

This book is a phenomenal book. It goes into great detail about the venture-capital industry. It explains everything about the venture-capital industry and the other forms of alternate financing .

Clearly, the Finance of Innovation was a major undertaking for professor Metrick. It is filled with useful facts that have some practicality and a great deal more academic thought. Yet, as he mentions early in the text, VCs use few of the methods outlined. Specifically, the heavy reliance on option theory is overly complicated and not useful for the practitioner. More importantly, however, is that it is somewhat misguided to focus on the randomness of liquidation events. Venture investments are very different from public equity investments as venture investors seek to actively direct their portfolio companies to the most favorable outcomes. Throughout the book, Metrick reverts to Black-Scholes option valuation to demonstrate how a venture investment could resemble a call option. While this technique could possibly be useful for biotech investments where FDA approvals and clinical trial outcomes are unknown at the time of the investment, it doesn't make logical sense for most VC or private equity investments. In many cases, a company could be made more attractive to acquirers (and hence more valuable) merely by the stamp of approval realized by an initial celebrity VC investment. This would be the first of a number of actions undertaken by the general partners of the fund to impact the investment's valuation. In reality, what limited partners are paying for when they agree to give general partners 20% of the carry is their expertise in facilitating the strategic direction of portfolio companies, ability to identify and recruit management, and use of their contacts for business development and, ultimately, the best liquidation outcome. These are decidedly not random events. Given the somewhat academic nature of the book, it is ideally suited for a textbook. It is indeed well written with very few typographical errors. I would suggest the first third of the book for those interested in an introduction to the field of venture capital and the remaining two thirds for those learn more academic theory that may be relevant to certain venture

capital investments.

This was a very interesting read. It opened my eyes on a much larger scale of venture capital and finance. The writing was concise and clear and made it easier to understand.

Really a unique book in this field cause it has a good balance between theory, practice and has great quant examples. Its use of exit diagrams stand out among its peers. I would have this book in my library if I am in the VC or startup business.

Really solid book if you're looking for insight on how to perform a valuation on a private company.

Amazing text book that was ACTUALLY an enjoyable read. The development of ideas and explanations were very helpful for understanding finance and how it adapts to the unique characteristics of the venture capital industry.

This is hands down the best VC book on the market. Chapters are digestible in a sitting. Not an overly huge, bulky text book. You can throw this in your bag and catch up on the reading every time you have a break. This is used at most of the top B-schools in the US. The examples are good, but there could be a few more examples and practice problems. This book has hard core math, but it also presents it in a way that is easy to understand. A good mix of the qualitative and quantitative aspects of venture capital. I'm a big fan of Metrick. Too bad he left Wharton for Yale.

Great condition

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