Video Lecture

Raising Equity Capital

ADVANCED FINANCIAL MANAGEMENT

Margarida Soares & Fábio Soares Santos

NOVA SCHOOL OF BUSINESS & ECONOMICS

Equity: Playbook

At creation

Assets	Equity	
		Founder A 40% of shares
		Founder B 60% of shares

Later equity investments

Assets	Equity	
		Founder A 30% of shares
		Founder B 45% of shares
		Investor C 25% of shares

Key characteristics and features

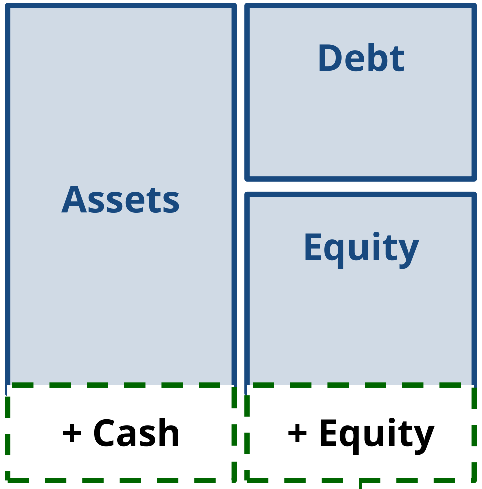
Rights
- Profits / Dividends
- Voting

Different types of shares
- Common vs Preferred
- Class A vs Class B

Listing
- Private vs Public
- Dual Listing
- Cross Listing

Compensation
- Payment to employees

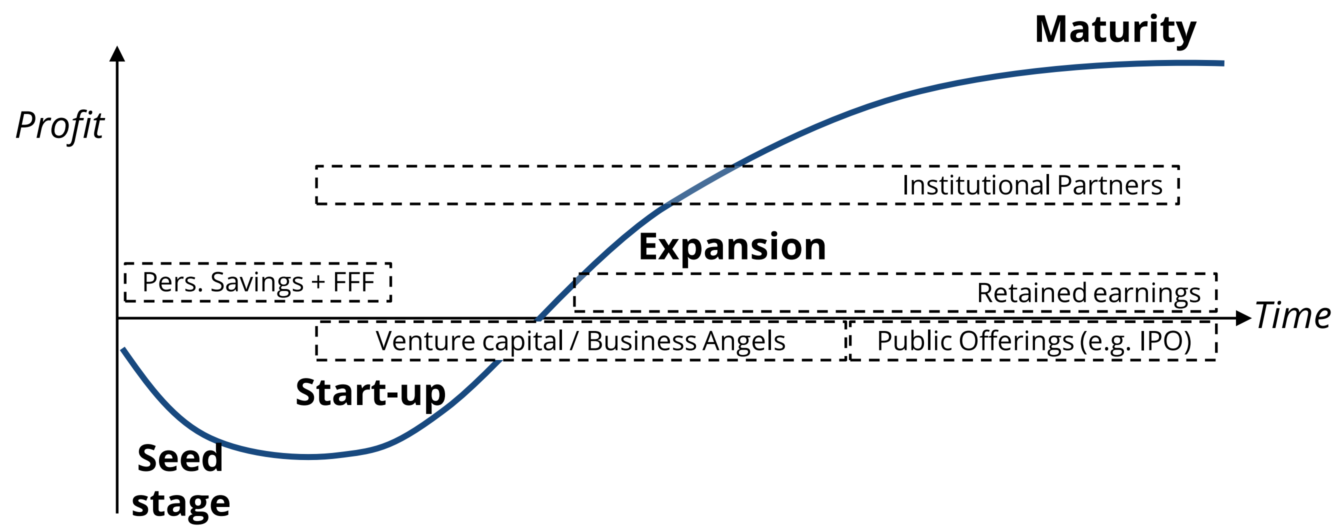
Raising Equity



- **Retained earnings**
- **Private**
  - **Personal savings**
  - **FFF: family, friends and “fools”**
  - **Business angels**
  - **Venture capital**
  - **Institutional partners**
  - **(...) other**
- **Public**
  - **Initial Public Offering (IPO)**
  - **Secondary Offering**

Choice depends on several factors, mainly: sector, maturity stage, total amount needed and control

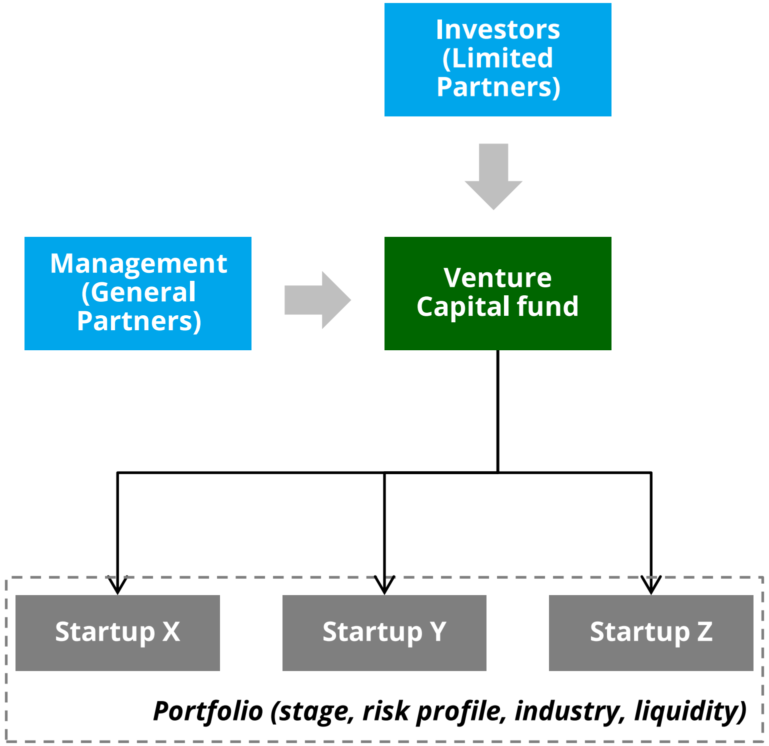
Typical equity financing timeline



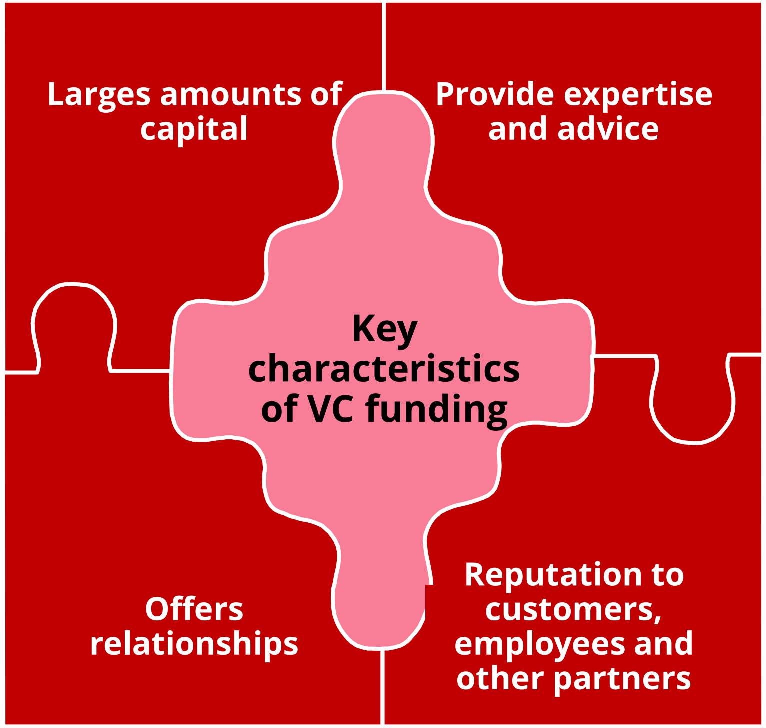
Venture Capital

Examples of VC companies

Structure of a VC firm



Main advantages



VC Process

Business Plan submission	Business plan filtering	Due diligence	Structuring the investment	Exit
Description of business/product	Competitive advantage	Market deeper analysis	Valuation	IPO
Intellectual property	Preliminary market potential	Management team	Ownership	Trade Sale
Market description	Competition	Product analysis	Financial structure	
Management team	Valuation	Financial auditing	Rights and preferences	
Financial projections	Fund's portfolio strategy	Terms analysis	Corporate Governance	

Initial Public Offering

Key reasons for IPO

- Access to a wide pool of capital
- Improved marketability of shares
- Improve company's image

General IPO Process

1. Hire an investment bank
2. Fillings
3. Roadshow
4. Transaction

Main differences post-IPO

- Shares are traded daily on secondary market
- Dilution of existence shareholders and possible change in control
- More exposure to all stakeholders
- More regulatory requirements

Key takeaways

01 **Equity is the basic form of capital in any company and although its main characteristics are common across all companies, each company's shares might have its own specific rights and characteristics**

02 **Raising Equity is a key component of Financial Management since its an available capital source at any stage of the company's maturity**

03 **There are many options to raise equity, from Venture Capital in the early stages of the company to access to the general financial markets through Initial Public Offerings in later stages**