IB9TG-15 Financing Innovation

27/28

Department
Warwick Business School
Level
Taught Postgraduate Level
Module leader
David Skeie
Credit value
15
Module duration
10 weeks
Assessment
100% coursework
Study location
University of Warwick main campus, Coventry

Description

Introductory description

The module covers the finance of innovation, emphasising quantitative methods useful for venture capital investing and the valuation of high-tech start-ups. It will provide a framework for making investment decisions about high-technology projects and expose students to several promising new companies. The primary audience is students interested in entrepreneurship, venture capital, or R&D-intensive companies (e.g., tech, pharma).

Module aims

The module aims at familiarising students with the venture capital industry and the valuation techniques specific to the financing of innovation. It will help students gain a deeper understanding of investment decisions in and by high-tech companies.

The module will start with a brief review of standard valuation techniques. After examining the structure of the venture capital industry, we will discuss the importance of business contingencies for the valuation of high-tech start-ups. You will learn about tools that allow to account for these contingencies in valuing start-ups' assets and liabilities. You will then discover how these tools can also be applied to venture financing and the design of entrepreneurial executive compensation.

Outline syllabus

This is an indicative module outline only to give an indication of the sort of topics that may be covered. Actual sessions held may differ.

Review of static firm valuation
Discussion of the venture capital industry
Importance of business contingencies for start-up valuation
Tools and methods to value high-tech start-ups with business contingencies
Applications to venture financing and entrepreneurial executive compensation

Learning outcomes

By the end of the module, students should be able to:

- Demonstrate understanding of, and discuss, the specificities of venture capital investing and financing of innovation
- Demonstrate understanding of, and discuss why, traditional valuation approaches (e.g., DCF techniques) are inappropriate to value contingent claims embedded in corporate assets and liabilities
- Demonstrate understanding of and discuss the valuation of corporate assets including their embedded flexibilities and optionalities
- Demonstrate understanding of and discuss the importance of the contingent claim approach to value investment in and by high technology firms
- Discuss and critically evaluate the implications of the optionalities embedded in corporate assets and liabilities for corporate policies, for the value of the firm and its financing.

Indicative reading list

Reading lists can be found in Talis

Interdisciplinary

the course includes interdisciplinary elements, from entrepreneurship and strategy.

International

the course will draw examples from companies and investors internationally.

Subject specific skills

Use the risk-neutral valuation approach in different contexts.

- Use the above described valuation approaches in the context of venture capital and innovative start-ups

Transferable skills

Written communication

Study

Study time

Type	Required
Lectures	10 sessions of 2 hours (13%)
Seminars	9 sessions of 1 hour (6%)
Private study	49 hours (33%)
Assessment	72 hours (48%)
Total	150 hours

Private study description

Private study to include preparation for lectures/ seminars and own reading

Costs

No further costs have been identified for this module.

Assessment

You do not need to pass all assessment components to pass the module.

Assessment group A

	Weighting	Study time	Eligible for self-certification
Assessment component			
Individual Assignment 2500 words	80%	58 hours	Yes (extension)
Reassessment component is the same			
Assessment component			
Group case study assignment	20%	14 hours	No

	Weighting	Study time	Eligible for self-certification
Reassessment component			
1000 word individual case study assignment			Yes (extension)

Feedback on assessment

via my.wbs

Availability

Courses

This module is Core for:

- Year 1 of TIBS-N1F5 Postgraduate Taught Business and Finance