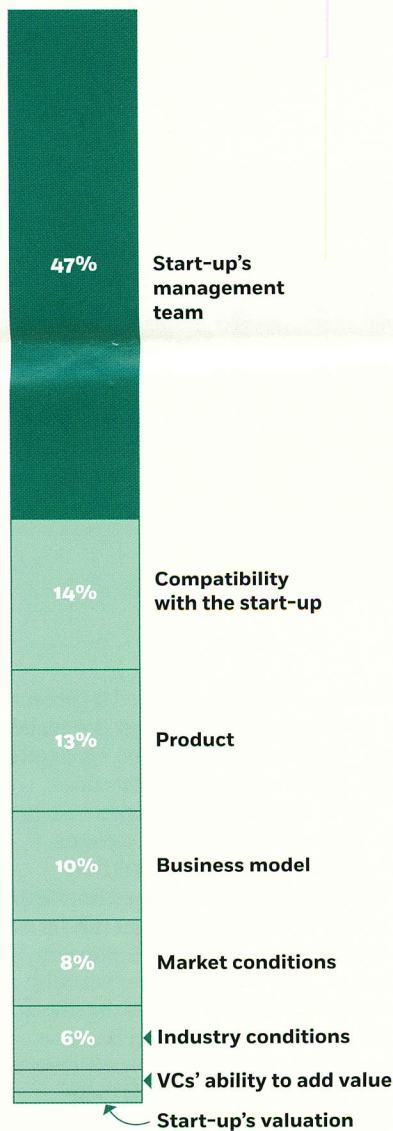


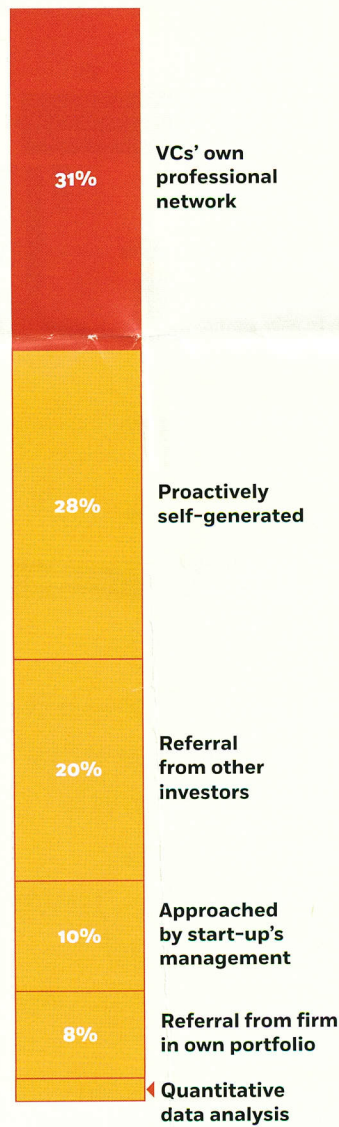
What venture capitalists look for in start-ups

If you're the next Uber or Facebook, you have a good chance of attracting high-dollar investors. But venture capitalists doling out millions to back big ideas may be less interested in the product than in the people developing the product, research suggests. Harvard's Paul Gompers, University of British Columbia's Will Gornall, Chicago Booth's Steve Kaplan, and Stanford's Ilya A. Strebulaev surveyed 885 institutional venture capitalists, posing dozens of questions. They find that big investors almost always cited a management team for their willingness to invest. Venture capitalists also said that deal selection was the most important factor in the effort to generate value.—*CBR*

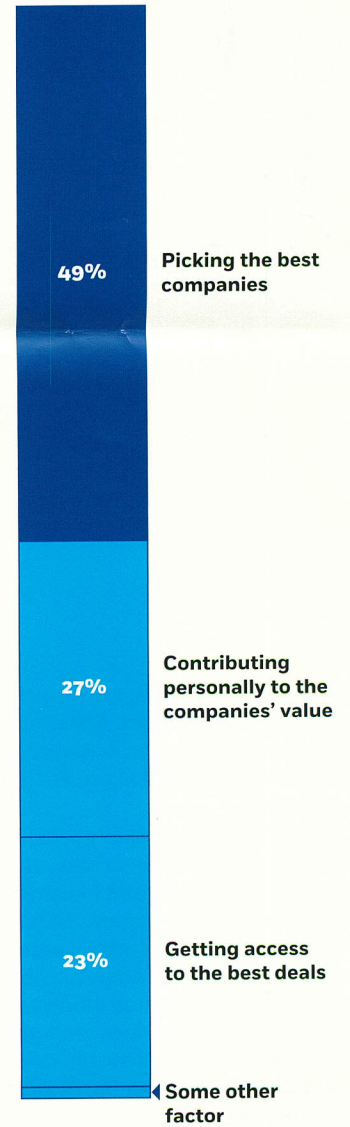
Most important factor when deciding whether to invest



Origin of start-up deals closed over the past year



Most important factor in generating value for VC investors



Paul Gompers, Will Gornall, Steve Kaplan, and Ilya A. Strebulaev, "How Do Venture Capitalists Make Decisions?" NBER working paper, February 2017.

From being considered to receiving a check

For every deal closed over the past year, here is how many start-ups made it to each stage of the average VC's process.

101 start-up investments were explored by the VC.

28 of those start-ups' management teams met with the VC.

10 potential investments were shared with the VC's partners.

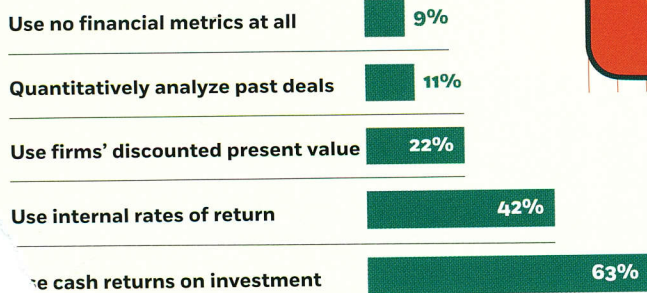
4.8 potential deals were given due diligence.

1.7 start-ups received a term sheet.

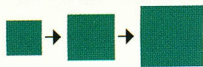
1 deal was closed.

How VCs analyze investments

Percentage of VCs who...



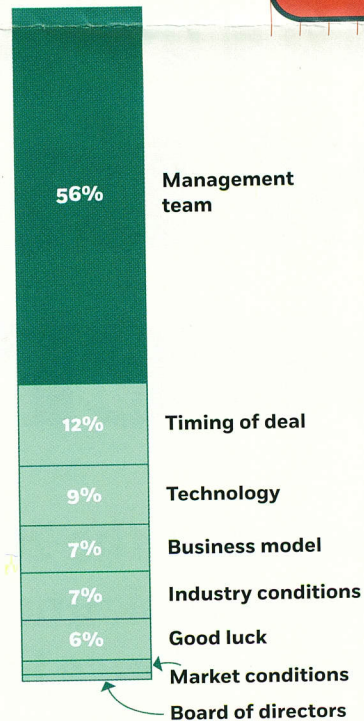
Average internal rate of return demanded by VCs: 31%



Cash return on investment demanded by VCs: 5.5x



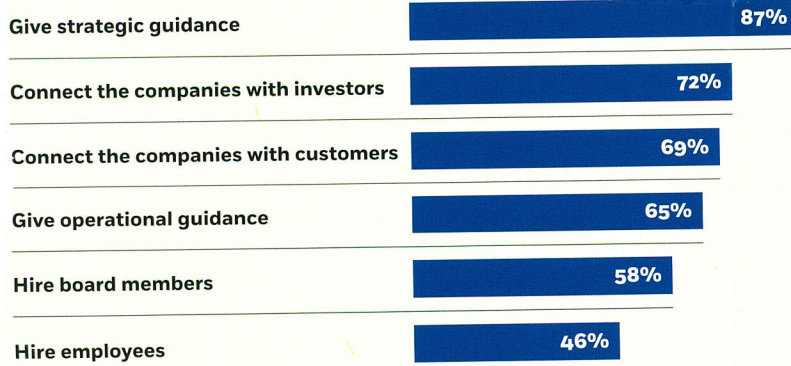
Most important factor in VCs' successful investments



0% No VCs said that their own contributions were the most important factor in successful investments.

How VCs interact with their companies

Average percentage of the companies in VCs' portfolios



How often they interact

