

Venture Capital Investment

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Venture capital is an important part of the innovation system. It translates ideas into innovative products, processes and services and builds competitive new firms. Importantly venture capital also supports the development of high-growth com-

This is a preview. Not all pages are shown.

When compared with trade sales and IPOs, the use of a share buy-back as an exit method may indicate that the investment has not lived up to its expectations as the investor is unable to exit by other more lucrative means.¹⁴⁷

[3.9.5] Liquidation

Finally, when stuck with a poorly performing investment, an angel or venture capitalist's best (and often only) exit option is to liquidate the investee company. By winding up the company and selling its individual assets, the investor may be able to recoup some of the cost of its investment. In some cases, however, a venture capital investor may find it difficult to force a company into liquidation. This is likely to be the case if they do not have a controlling interest in the company and the entrepreneurs and other investors want to persevere with the business. In practice, it is not uncommon for angels and venture capitalists to be left with a number of 'zombie' investments which they find very difficult to jettison.

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¹⁴⁷ Schwienbacher, above n 106, 396.

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