

Case preparation #6 – Walnut Ventures

1.

Angel investors are experienced and wealthy entrepreneurs grouped (formally or not) to invest in start-ups. They are not what we could call professional VC's.

They are investing in start-ups because pro VC left a "capital chasm" for investments smaller than \$1,000,000. Pros are looking toward big deals whereas angel investors are looking for first round financing: basically start-ups.

An entrepreneur is seeking money, experienced entrepreneurs and less intrusion in his board (compared to pro VC's). That's exactly what an angel investor can offer.

2.

RBS seems to be a very interesting investment for Walnut. RBS has already an important base of customers, has potentially important cash flows thanks to its consultancy services. However, RBS is not exactly what Walnut is usually looking for: Walnut usually invests during first round financing, at very early stages but RBS is looking for a second round financing.

3.

RBS seems to be a very reliable company with 4 years of profit and regular cash flows thanks to its consultancy services. Walnut needs however to check the atmosphere inside the company, the hiring policy and the innovation process. To get this information, Walnut will probably have to regularly go to RBS offices and assess these points.

4.

As Bob O'Connor my main concerns will be:

How is Walnut going to interfere with the board?

Can Walnut experienced people help with sales? With internationalization?

What are the investors' conditions?

These are the most important questions O'Connor has to answer and he will probably have to hire lawyers for this contract.