

Summary

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“Structure of Successful Venture Capital Investment:
Empirical Evidence for Germany”

The present article analyses which financial instruments venture capital investors use in Germany and the factors guiding their choice. The sample comprises 92 portfolio companies based on hand-collected survey data.

In contrast to the United States, convertible financial instruments are rarely used in Germany. Rather than issuing convertible bonds or convertible preferred stock, as is customary in the US, conversion possibilities are created in Germany by issuing dormant equity holdings that can be extended on a contractual basis. The most frequent forms of financing are equity holdings and quasi-equity forms of financing. The use of equity holdings decreases as the financed company grows in size. We find no evidence that R&D activities influence the use of equity holdings.