Three Things to Consider in a Corporate Venture Capital Investment

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A corporate venture capital investment (CVC investment) presents companies and investors with growth opportunities that can be realized through careful planning of the commercial arrangement, partnering, and the investment terms.

Commercial Agreement

Aside from capital, an investment from a CVC firm will frequently include a commercial agreement ranging from a proof of concept to a manufacturing or distribution agreement. Properly executed, a commercial agreement as a component of an investment transaction can offer market validation and non-dilutive capital, both of which are of significant value to a growth company.

Partnering Relationship

In addition to a commercial agreement, both parties can benefit from an overall commercial dialogue. This can include shared insights, access to enhanced expert networks, and commercial scale logistics channels. These benefits should be considered and explored as a preliminary matter as it is important that there be alignment regarding engagement among the growth company, CVC firm, and CVC firm's parent. To the extent these benefits will be incorporated as a meaningful part of the relationship, they should be incorporated into the investment transaction.

Investment Terms

With so much to be gained from a commercial standpoint, it is important that the investment terms of the relationship be carefully planned to foster a mutually beneficial commercial relationship between the parties while balancing the need for independent growth and appropriate strategic autonomy.

For more information on corporate venture capital investment transactions, please contact Dan Wilcox.