

Vladimir Ivanov
University of Kansas Business School

Fei Xie
Owen Graduate School of Management
Vanderbilt University

Do Corporate Venture Capitalists Add Value to Startup Firms? Evidence from Valuations of IPOs

Abstract

We examine a sample of IPOs from 1981 to 2000 and find that corporate venture capitalists (CVCs) add value to their portfolio companies. CVCs appear to provide a wide range of valuable services to the private companies they finance, and companies with CVC backing are able to fetch significantly higher valuations at IPO. The higher valuations are not uniform and only accrue to CVC-backed companies that are of strategic fit with the parent corporations of CVCs. These results are not driven by the endogeneity of receiving CVC financing and are robust to controlling for differences in market, industry, firm specific, and offering specific characteristics between IPOs with and without CVC backing. The valuations of CVC-backed IPOs tend to remain high in the long run.