

Legal aspects of financing a limited liability company conducting business in the field of modern technologies

Abstract

This thesis deals with the issue of financing limited liability companies that operate in the field of modern technologies, otherwise known as startups. This type of companies is characterized by several specific features that usually make them unable to be financed by banks or similar financial institutions. Startups are therefore financed by specific joint stock companies set up for this purpose in one of two ways. Either through the direct purchase of equity in the company or through a convertible loan. The former approach is referred to as equity financing, while the latter is referred to as debt financing. The description and comparison of these two approaches with respect to their benefits and shortcomings is the main focus of this thesis.

In the first chapter, the term startup itself is examined in detail. By synthesizing the definitions of various authors, the basic elements that a company should have in order to be called a startup are presented. Next, it is discussed why startups in the Czech Republic exist in the form of limited liability companies. The second chapter is devoted to the entities that provide startups with support, whether financial or otherwise. Further chapters of the thesis are devoted to the aforementioned methods of financing. In the context of equity financing, the two ways in which an investor enters a company are described, i.e. share transfer and capital increase. Both options are discussed with regard to the specifics of the relationship between the investor and the startup. The chapter on debt financing then introduces the convertible loan as the instrument on which this type of financing is based. Increased attention is then paid to determining the amount of the share to be received by the investor for his investment. In this context, the two institutions that influence the size of the share, namely the price discount and the valuation cap, are introduced. The last chapter is devoted to a comparison of equity and debt financing. The main advantages and disadvantages of each method are described, both from the investor's and the startup's perspective.

Key Words

startup, financing, limited liability company