

**Jindal School of Management
The University of Texas at Dallas
Course Syllabus**

Course Information

Prefix, Number, Section: **FIN6316.501 / ENTP6316.501**
Title: **Private Equity Finance**
Term: **Spring 2020**
Days & Times: **Wednesdays, 7:00 – 9:45pm**
Location: **JSOM 2.801 until March 10**
Online: Blackboard Collaborate (on eLearning) from March 31

Contact Information

Course Instructor: **Christian von Drathen, Ph.D.**
Assistant Professor of Finance
Office Phone: **(972) 883-5089**
Email Address: **drathen@utdallas.edu**
Office Location: **JSOM 14.310**
Office Hour: **Upon appointment**

Course Pre-Requisites, Co-Requisites and/or Other Restrictions

The pre-requisites for this course are completion of FIN 6301 and familiarity with Excel and financial accounting. No auditing permitted.

Course Description

This class teaches the concepts, techniques, and instruments used in private equity finance and covers venture capital and leveraged buyouts. The main themes are private equity investors, fund management, deal structuring, valuation, value creation and exit. Teaching is based mainly on case study discussions and students use the required and recommended textbooks for background reading. Students prepare individual homework assignments and written case study analyses. This involves Excel modelling of financial forecasts and valuations. The class concludes with a leveraged buyout group contest that will be judged by a panel of external finance professionals. The workload is heavy and requires substantial study time.

Student Learning Objectives/Outcomes

The objectives of the course are to:

1. Build familiarity with structure and institutional features of the private equity sector,
2. Provide understanding of the private equity financing process,
3. Use corporate finance methods for structuring and valuing private equity investments,
4. Recognize and analyse opportunities worth financing through private equity.

Grading Policy

Your overall course grade will be computed using your grades on a written exam, verbal participation and homework assignments, written case study analyses, and a buyout group contest. The weights for the overall grade will be:

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| 1. Exam | 25% |
| 2. Verbal participation & homework assignments | 25% |
| 3. Written case study analyses | 25% |
| 4. Buyout group contest | 25% |

Assignments & Academic Calendar

<u>Date</u>	<u>Topic</u>	<u>Assignments</u>	<u>Readings</u>
1/15	Introduction		LLH Ch. 1, 8, 10
1/22	Risk and Return	CS1 - Yale University Investments Office SQ1 - Risk and Return	LLH Ch. 9
1/29	Fund-Raising	CS2 - Oregon PERF (graded) SQ2 - The Private Equity Cycle	LLH Ch. 2
2/5	Managing PE Funds	CS3 - Andreessen Horowitz SQ3 - Deal Sourcing and Evaluation EX1 - Fund Economics (group)	LLH Ch. 3, 6, 7
2/12	VC Funding & Valuation	CS4 - Square (graded) SQ4 - Deal Structuring – PE Securities EX2 - PE Securities (group)	LLH Ch. 4, 5, Note on Pre- and Post-Money Valuation.
2/19	VC Funding & Valuation	CS5 - Fast Ion Battery SQ5 - Assigning Value EX3 - Valuation (group)	RP Ch. 1, 3
2/26	Session with Curt Crofford	Valuation Case – OldTown Berhad (David Springate)	
3/4	Valuation & Exit Strategy	CS6 - Warburg Pincus and emgs (graded) SQ6 - Exits and Distributions	
3/11	Valuation & Acquisition Financing	CS7 - Calaveras Vineyards	RP Ch. 2, 4
3/18	<i>Spring Break (No Classes)</i>		
3/25	<i>Spring Break (No Classes)</i>		
4/1	LBO Valuation	CS8 - AMC Entertainment (graded) BC1 - Buyout Report 1 (group)	RP Ch. 5, Technical Note on LBO Valuation (A)
4/8	Mezzanine	CS9 - Elephant Bar Restaurant	
4/15	LBO Structure	CS10 - Hertz (graded) BC2 - Buyout Report 2 (group)	
4/22	Distressed Debt	CS11 - Oaktree and CIT Group	
4/29	Buyout Contest	BC3 - Buyout Report Final (group)	
5/6	Exam		

The descriptions and timelines contained in this syllabus are subject to change at the discretion of the Instructor.

Required Textbooks and Materials

Students must purchase the required textbook and prepare the designated chapters and cases before each class. Assignments are posted online from time to time, so check your eLearning and HBP course packs regularly. The required and recommended textbooks and cases are:

Required Book: Lerner, Josh, Ann Leamon and Felda Hardyman (LLH); "Venture Capital, Private Equity, and the Financing of Entrepreneurship", 1st edition, 2012, Wiley.

Recommended: Rosenbaum, Joshua and Joshua Pearl (RP); "Investment Banking: Valuation, Leveraged Buyouts, and Mergers and Acquisitions", 2nd edition, 2013, Wiley.

Required Cases: HBP Course Pack (<https://hbsp.harvard.edu/import/696477>)

- 1 815124-PDF-ENG Yale University Investment Office: February 2015
- 2 UV5624-PDF-ENG Oregon Public Employees Retirement Fund
- 3 814060-PDF-ENG Andreessen Horowitz
- 4 W17626-PDF-ENG Square, Inc.: Financing a Unicorn
- 5 815025-PDF-ENG Fast Ion Battery
- 6 218058-PDF-ENG OldTown Berhad
- 7 807092-PDF-ENG Warburg Pincus and emgs: The IPO Decision (A)
- 8 UV0287-PDF-ENG Calaveras Vineyards
- 9 UV0473-PDF-ENG The Buyout of AMC Entertainment
- 10 UV1191-PDF-ENG Elephant Bar Restaurant: Mezzanine Financing
- 11 208030-PDF-ENG Hertz Corporation (A)
- 12 214035-PDF-ENG Oaktree and the Restructuring of CIT Group (A)
- 13 801446-PDF-ENG Note on Pre-Money and Post-Money Valuation (A&B)
- 14 902004-PDF-ENG Technical Note on LBO Valuation (A)

Course & Instructor Policies

Classroom Citizenship

Participation calls for due respect of your classmates and the instructor. Student behaviour that distracts or otherwise adversely affects teaching will not be tolerated. In class, please turn-off your cell phones, and close your iPads and laptop computers, unless instructed otherwise. Also, make sure to bring your nameplates to all sessions. Audio or video recordings of the class are not permitted, unless determined an accommodation by the Office of Student AccessAbility.

Class attendance

Regular and punctual class attendance is expected. Students who fail to attend class regularly are inviting scholastic difficulty. Grades also depend, in part, on attendance. You are responsible for learning all materials covered in any class that you miss.

Group Work

At the end of week 3, the instructor will assign each student to a study group. You are expected to attend all your team's meetings and to actively contribute to your group assignments. If you repeatedly fail to do so, your group can decide to remove you; then you will have to complete the assignment on your own. The study groups will write the names of all active contributors on the cover sheet of their submissions; students who do not actively contribute should not be listed on the group's cover sheet and get no credit.

Calculators

You are allowed only to use a calculator on your exams. You can use a financial calculator that computes the internal rate of return for a sequence of cash flows, e.g. HP-10BII, HP-12C, TI BAI Plus, or TI BAI Plus Professional. If you use a calculator, then you will be responsible for knowing how to use it. You cannot use a cell phone or similar device that can store text as a computational aid.

Make-Up Exams

There will be no make-up exams. If you cannot take an exam with the rest of your classmates, you will have to take it before they do. The instructor generally has to be informed of any conflict before the exam and supplied with official written documentation demonstrating a serious and unavoidable conflict (e.g. illness: doctor's statement, accident: police report). If you miss an exam or assignment and do not supply such evidence your grade will be an 'F'.

Extra Credit

There will be no possibility to earn extra credit. Only the exams and assignments listed above will count towards your grade.

Campus Carry

Senate Bill 11 (SB 11), also known as "campus carry," permits handgun license holders to carry their weapons onto the campus and into the general buildings of public universities and colleges in Texas. Passed by the 84th Texas Legislature and signed into law by Gov. Greg Abbott, SB 11 took effect Aug. 1, 2016. As part of the law, the University was allowed to establish reasonable rules, regulations or other provisions regarding the carrying of concealed handguns, including campus locations where concealed carry is prohibited, subject to amendment by the UT System Board of Regents. The purpose of the UT Dallas policy is to comply with the law while maintaining the maximum safety and security of UT Dallas students, staff, faculty and guests.

Facts:

- A person must have a license to carry a concealed handgun on campus. Requirements include being at least 21 years of age and a legal resident of Texas for the six-month period preceding the date of application.
- Concealed carry is prohibited in these buildings: Callier Center-Richardson (CR); Natural Science and Engineering Research Laboratory (RL); Bioengineering and Sciences Building (BSB); University Commons Residence Halls (RHNW, RHN, RHS, RHSW, RHW); Dining Hall West (DHW); Recreation Center West (RCW); Callier Center-Dallas; the Center for BrainHealth; and the Center for Vital Longevity. (See map below).
- Solely occupied offices can be designated as exclusion zones, prohibiting the concealed carry of a handgun in that space. If occupants choose to exercise this discretion, they must provide oral notice that concealed carry is prohibited in the office. The use of signage does not satisfy notification requirements.
- License holders cannot carry concealed handguns at University sporting events, patient care facilities, including the Galerstein Women's Center, the Student Health Center and the Student Counseling Center, disciplinary hearing or mediation facilities, and areas where schoolchildren are present.
- Open carry is not allowed. If the license holder carries a visible handgun, or if the handgun is intentionally displayed in plain view of another person, it is considered a criminal offense.
- The University will not provide storage of a license holder's handgun.

Students are hereby given written notice that the instructor has designated his office at JSOM 14.310 exclusion zone, prohibiting concealed carry of a handgun. A verbal notice to this effect will also be issued to students in the first class.

Further information about the University's concealed handgun policy is posted on the campus carry website: <https://www.utdallas.edu/campuscarry/>.

UT Dallas Syllabus Policies and Procedures

The information contained in the following link constitutes the University's policies and procedures segment of the course syllabus.

Please go to <http://go.utdallas.edu/syllabus-policies> for these policies.