



**Finance 5156, Financing Growth Companies (Private Equity)
Syllabus (Version 3.0, 22-Jan-08)**

Spring 2008, Tuesday: 6:00-8:30

Instructor: Jonathan A. Scott, jonathan.scott@temple.edu; 215-204-7605

Course Learning Objectives: This course provides a broad coverage of the private equity market. The course is roughly divided into three segments. The first is a review how private equity is used in leveraged buyouts. Within this segment, we will review financial forecasting, comparables valuation, and free cash flow valuation. The second segment focuses on venture capital financing, which includes a review of term sheets, venture capital returns, and venture capital valuation. The last segment focuses on exit strategies and technology valuation.

Required Course Materials:

1. **Venture Capital and the Finance of Innovation**, Andrew Metrick, Wiley (2007).
2. A case pack with readings can be purchased directly from Harvard Business School Publishing at this link: <http://harvardbusinessonline.hbsp.harvard.edu/relay.jhtml?name=cp&c=c17084>
3. Other course notes and readings obtained through Blackboard.

Office Hours: I am available by email most of the day and evening. I usually respond to e-mail early in the morning. I will be in my campus office on Thursday afternoons. Face-to-face meetings can be arranged by appointment before class.

Course Grade: There are four components to your final grade. I assign letter grades for each assignment. Quality points will be assigned and weighted per the guidelines above to determine your final grade. A = 3.68-4.0; A- = 3.34-3.67; B+ = 3.00-3.33; B = 2.68-3.00; B- = 2.34-2.67

- **Problem sets (30%):** There are 3 problem sets due during the semester. These assignments must be submitted electronically and have a flexible due date. Those not turned in by the due data will receive a half-grade deduction on each assignment. You may do these in groups of up to 3 students, but it is not required. These assignments will be posted to Blackboard/Assignments
- **Case summaries (25%):** There are five case summaries due before the class discussion. There is a half-grade grade penalty for late submissions. You may do these in groups of up to 3 students, but it is not required. For each assignment, you must identify the problem and what you think is the appropriate recommendation.
- **Class participation (20%):** With the exception of a few classes, every meeting will require you to prepare for discussion based the readings due that day. Your preparation and contribution to these discussions will determine this component of your grade.
- **Final Exam (25%)** The final exam is an individual take-home exam.

Disability Disclosure: Any student who has a need for accommodation based on the impact of a disability should contact me privately to discuss the specific situation as soon as possible.

Academic Freedom: Freedom to teach and freedom to learn are inseparable facets of academic freedom. The University has adopted a policy on Student and Faculty Academic Rights and Responsibilities (Policy # 03.70.02) which can be accessed through the following link: http://policies.temple.edu/getdoc.asp?policy_no=03.70.02

Miscellaneous:

- As a matter of policy, I don't give incompletes unless you meet the strict requirements of the Graduate Bulletin. Please don't ask me for an Incomplete if you can't complete your work.
- I reserve the right to change the assignments based on the progress of the class and schedules of the speakers..

Course Outline (see Blackboard/Assignments for more detail):

Class #1 (January 22) Introduction

- PE overview: Buyout vs. venture capital
- Venture capital perspectives: fund manager vs. entrepreneur
- Private equity performance
- Metrick: Chapter 1

Class #2 (January 29): LBOs

- Structure of leverage buyout - SunGard
- Valuation approaches: comparables, FCF, APV
- Metrick: Chapters 11 and 12

Class #3 (February 5): Private Equity LBO Valuation

- Case: Dollar General
- Speaker: Chris Toto

Class #4 (February 12): Intro to Venture Capital

- Players, compensation and returns
- How investment opportunities are evaluated
- Metrick: Chapters 2, 3, and 7

Class #5 (February 19): VC Due Diligence

- Case: Walnut Ventures (A)
- Introduction to term sheets
- Metrick: Chapter 8

Class #6 (February 26): Term Sheets

- Term sheet analysis
- Metrick: Chapter 9

Class #7 (March 4): Valuing VC deals I

- Case: Walnut Ventures (D)
- Venture capital math
- Metrick: Chapter 10

SPRING BREAK (March 11)

Class #8 (March 18): Exit I - IPO

- Understanding an S-1
- Venture-backed exits

Class #9 (March 25): Exit II - Choices

- Speaker: Michael Mufson
- IPO case (handout)

Class #10 (April 1) Valuing technology & innovation I

- Option pricing review
- Bio-tech IPOs
- Metric: Chapter 13, 19, 20

Class #11 (April 8) LP relationships

- Speaker: Brad Atkins
- Case: Emergence, Valhalla, Orchid

Class #12 (April 15): Valuing Technology Investments II

- Speaker: Jim Sheward, CEO Fiberlink, Inc.
- Real options
- Metrick: Chapter 21

Class #13 (April 22): Valuing Technology Investments III

- Speaker: Raza Bokhari (tentative)
- Real option applications: binomial trees
- Metrick: Chapter 22

Class #14 (April 29): Course Wrap

- Speaker: Chris Starr
- Teaching evaluations

Final Exam: due electronically May 13

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