

# **Private Equity Finance**

College of Business, University of Illinois at Urbana-Champaign

Prof. Ola Bengtsson

Spring 2010 Second Half

## **SYLLABUS**

### **Instructor**

Prof. Ola Bengtsson, Assistant Professor of Finance

Office: 439 Wohlers Hall

Office hours: Tuesdays and Thursdays 1:00pm – 2:00pm

Email: ola@uiuc.edu

### **Class Time and Location**

Time: Tuesdays and Thursdays, 9:30am – 10:50am (undergrad), 11:00-12:20 (masters),

Duration: Second 7 weeks of Spring semester

Room: 241 Wohlers Hall

### **Course Overview**

Private Equity has been on the rise during the last decade but has experienced significant turmoil in the last years. This course is an advanced finance elective on private equity, with particular focus on buyouts. The course targets two groups of students. The first includes business students who are interested in working for a private equity firm. The second group includes students who plan to work in investment banking, law, consulting, accounting or other professional fields which frequently advice on private equity transactions. Even students who may not work directly with private equity will find the class useful – private equity transactions are very complex, which means that if you understand why and how these transactions are structured then you will be more easily able to understand a range of other less complex financial transactions.

### **Course Schedule**

Week 1    Tuesday 3/16: Introduction to course  
            Thursday 3/16: History of buyouts

SPRING BREAK

Week 2:    Tuesday 3/30: Investing in private equity as an asset class (Yale case)  
            Thursday 4/1: Selecting private equity funds (Accel case)

Week 3:    Tuesday 4/6: Contracts between LPs and GPs (Bitter Partners case)  
            Thursday 4/8: How private equity investors add value: operational

- Week 4: Tuesday 4/13: Quiz 1, Introduction to Free Cash Flow Valuation  
 Thursday 4/15: No Class – Group work on project
- Week 5: Tuesday 4/20: How private equity investors add value: financial (Project Plan due)  
 Thursday 4/22: Adjusted Present Value Method (Nabisco case)
- Week 6: Tuesday 4/27: Quiz 2, Termination fees  
 Thursday 4/29: Project presentations
- Week 7: Tuesday 5/4: Project presentations

### **Course Requirements and Grades**

The course requirements include class participation, four individual homework assignments, four group case memos, two quizzes and a final exam. Overall score for the course will be based on following weights:

Class Participation	10%	(×1=10%)
Each quiz 1-2	15%	(×2=30%)
Each case 1-3	10%	(×3=30%)
Final project	30%	(×1=30%)

Your class participation grade is based partly on attendance, partly on your active involvement in class discussions. I expect you to not only physically present but also mentally present in the classroom.

The quizzes are multiple-choice and non-cumulative. No makeup quizzes will be offered.

The case memos are individual. The memo should be a 2-3 page write-up/valuation of the specific case questions assigned to each case. The memo is due in paper format at the beginning of class. The case memos are checked off but not graded, unless you fall inbetween two grades or miss one of the two quizzes – I will then pick one of your case memos at random and grade it thoroughly. This means that one of your case memos could be given a much higher weight in determining your final grade.

The final project is completed in groups of up to 3 students. Each group will be responsible for selecting a public company which would be a good candidate for a private equity buyout. You will analyze the operational and financial benefits of the buyout and do an adjusted present valuation of the company's equity. You will present the result of your analysis for the other students in a 20 minute presentation (pretending you are a junior partner at a buyout firm who tries to sell the deal to the senior partners of the same firm). The project is graded based on the slides you present.

### **Course Materials**

There is no required textbook for this class but I recommend you to get *Valuation: Measuring and Managing The Value of Companies* by Tom Copeland, Tim Koller and Jack Murrin. You are also expected to read any assigned case, and familiarize yourself with the academic and newspaper

articles which are distributed. The reading list will be posted prior to each class. Finally, you are expected to follow recent news on venture capital featured by Wall Street Journal and New York Times (search for “private equity” and “buyout” on their web-pages).

### **Class Conduct**

You are expected to come to class on time. If for some reason, you are late, please enter the room and take a seat without disturbing the class. Also, please do not forget to turn off your cell phones and other noisy devices. The sound of a cell phone ringer sounds to me like “Professor, please ask me a question”. Laptops are allowed but they should be used for class purposes only. A folded-up laptop screen looks to me like a sign saying: “Professor, please ask me a question”.

### **Academic Integrity**

For group work, you may not share any related material or information with individuals who are not members of your group. For individual work, you may not share any material or information with anybody else before, during or after the assignment or exam. The exception that verifies these rules is that I allow you to talk to other about Excel-specific matters. Cheating, plagiarism or other violation of academic integrity will not be tolerated. Please refer to the student code on <http://www.admin.uiuc.edu/policy/code/> for details about academic integrity.

### **Feedback**

Although I have taught this class several times at Cornell University, this year is my first here at UIUC. I appreciate any comments or suggestions you would have about the contents of the course or the manner in which it is taught. Please feel free to email me or talk to me whenever you think of something.