

Syllabus:
MGMT 809-001: Private Equity in Emerging Markets
Spring 2010 – Quarter 3

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**NOTE: THIS SYLLABUS HAS BEEN PREPARED AS A GUIDE FOR STUDENTS IN
COURSE SELECTION. THE CONTENT IS SUBJECT TO MINOR CHANGE. THE
COURSE REQUIREMENTS WILL BE SUBSTANTIALLY SIMILAR. THE ACTUAL
SESSION CONTENT AND SPEAKERS WILL BE AVAILABLE ON THE WEBCAFE
FOR REGISTERED STUDENTS**

1.0 Course Description:

The course is designed for two realms of student interest:

1. Students with a serious interest in building a career (upon graduation or at some point in the future) in private investment activity in countries with transitional or developing economies, either as part of a corporate development effort, or through venture capital or buyout fund activity.
2. Students who expect to engage in entrepreneurial activity (upon graduation or at some point in the future), and who seek an understanding of the fundamental dynamics of venture funding as a way of building a company, or considerations for buying a company.
3. Or both at various times in their careers

The Emerging Market and Developing Country Investment Problem

Recently, books such as Hernando de Soto's *Mystery of Capital* and its "hands-on" counterpart C.K. Prahalad's *The Fortune of the Bottom of the Pyramid* have attracted the attention of scholars and policy makers on the possibility of promoting economic development at the grass roots levels of populations in distressed economic circumstances. Indeed, the United Nations Development Program and the World Bank have studied and rethought their strategies for support of these markets. Such groups such as Endeavor and others are promoting these concepts on the ground; we are witnessing significant growth in microfinance, as well. Wharton is adding

its own insights and energies to these issues, not only by serving as publisher of Prahalad's book, but also through faculty research on entrepreneurship education in these markets, and through such programs as the Wharton Global Family Business Alliance, new courses in social enterprise and entrepreneurship, and panels in many of the Wharton student club conferences. Such attention provides great hope for the future and should give students a heightened sense of enthusiasm (and urgency) for "double bottom line" business activity and the notion of "doing good while doing well." The instructor himself has embraced these concepts in his own work at Wharton and in the private sector—particularly in global health.

Having said all of the above, MGMT 809 is not one in economic development per se, or for that matter a course in microfinance or the building of economic opportunity. While the instructor strongly encourages students to study and embrace the principles of the aforesaid shift in thinking, this course is much further downstream in business activity. We are concerned with the functioning and optimization of private equity as an asset class from an entrepreneurial and investment point of view. Students with a specific interest in studying the role of PEEM in economic development may focus their course project in that area after consulting with the instructor

Classic investment issues in emerging markets and developing countries are readily characterized in basic economic terms such as information asymmetry, agency conflict, adverse selection, moral hazard, etc. The nature of these problems is largely inherent in the structure of the companies, the culture of family business and its requirement of control, a limited pool of management (especially with experience in global markets), and ultimately manifest in the ambiguity and volatility of the public capital markets where they exist in these countries. Consequently, private investment as fuel for economic growth is in relatively short supply. These problems have generally caused a slow down in capital formation and foreign direct investment for many African, Asian, Eastern European Latin American and Middle Eastern economies. In all of these regions, private equity has had a tenuous foothold at best, and even where the asset class appears vibrant there remains significant issues. Cases have been created or selected for major issues such as deal sourcing, project diligence, term sheets and governance, and are set in the so called "BRICS" countries with the "S" designating South Africa.

It is the case that "best practices" of private equity are still evolving in all markets, the US, Europe and Japan included. This course seeks to migrate at least the acknowledged best practices to the emerging markets, but in ways that are adopted to local business cultures and the realities of their capital markets. But most importantly, Wharton students are clearly capable of using their own knowledge, creativity and energy into deriving and ultimately practicing the next mode of best practices. Candidly, the instructor is expecting that students will do some of their best work at Wharton in this course.

To reiterate--using the readings, cases, class discussion, lectures, and the generous participation of expert guests, the instructor will drive the class to seek creative solutions to bring this asset class to maturity and sustainability.

2.0 Qualifying Students:

The course includes some introductory material that overlaps with other Wharton course offerings, but the vast majority of material is unique to the course. While not pre-requisites per se, those students who have had or are taking such courses as:

MGMT 804: Venture Capital and Entrepreneurial Management
MGMT 811: Personal Business Acquisitions
FNCE 750: Private Equity
FNCE 751: Buyout and Acquisition Finance

will have a stronger foundation to understand the principles of the course. In order to compensate for the knowledge gap that some students may have, the instructor will provide some basic reference material and hold a special session for students with no prior background in VC or PE.

3.0 Course Materials and Study Resources:

Required:

Course Pack. “Private Equity in Emerging Markets, 2010 Full Time Program Edition, compiled by Stephen M. Sammut

4.0 Requirements and Grading:

Given the relatively small size of the class, the instructor has decided to reduce the writing requirements to the course project (75% of grade). The balance of the points will be based on class participation. Class participation will be graded on the basis of comments and questions, leadership during case discussions, and bringing new information to the attention to the class and the instructor through the webcafe blog for this purpose.

The instructor will strictly adhere to the Wharton grading distribution policy.

5.0 Teams

It is likely the case that many students registered for the course have prior relevant work experience—the instructor expects that those students will distribute themselves more or less evenly in the study groups of 3 to 5 students (see below) in order to share their knowledge.

6.0 Course Project

Possibilities include: a research paper, creation of a case study, strategy for a given company, industry or venture fund in a given region or country. Students are invited to develop creative projects concepts and propose them to the instructor. Projects may be submitted individually or as a team of 3 to 5 students. Team projects are strongly encouraged. Students should use the Web Cafe as a means of communicating their interests and seeking collaborators.

The instructor will meet with each team once their proposal is submitted in order to refine the topic, determine the scope, and design the deliverable that is the most sensible for the proposed project, i.e., the deliverable might take the form of a research paper, business plan, case study, or a PowerPoint depending on the circumstances.

A schedule of due dates for the proposal, instructor meeting, outline submission and final submission will be provided.

In order to allow students sufficient time to research and develop a suitable project submission, the instructor will announce a deadline that will follow Spring break.

The basis for grading projects:

Research Submissions:

Scope and Difficulty of Topic:	10 points
Thoroughness and Quality of Research	10 points
Analysis and/or Commentary	10 points
Creative or original input	20 points
Conclusions, recommendations, lessons	25 points
TOTAL	75 points

Creation of a Case Submission:

“A” Case

Nature/complexity of case	10 points
Statement of the situation	10 points
Characterization of problems and decisions	15 points

“B” case

Description of what happened and why	5 points
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“Teacher’s Note”

Your solution and recommendations	35 points
TOTAL	75 points

Other: Strategy for Company, Industry or Venture Fund, or other concept will vary based on proposal—instructor will provide a scoring system when proposals are returned.

7.0 Case Discussion Guidelines

SELECTION OF LEADERSHIP CASES: The instructor will forego requiring the submission of written case memos. However, students will be responsible for leading discussion of at least two cases during the term that they will select. Participation in discussion and other contributions during class and on the webcafe blog will be closely monitored by the teaching assistants and factor fully into the 25% of the grade allocation

For the leadership cases, the students should be prepared to summarize the facts of the case, the issues, their approach to resolving the issues, and their view of takeaways. Students are invited to make up two or three slides for this purpose or distribute a “discussion” notes sheet, but it is not necessary to do so. Students will also find detailed questions for each of the cases either provided by the instructor or included within the cases themselves.

Students should read all assigned cases and review the guidelines whether or not they are assuming a leadership role.

8.0 Learning Resources

The Webcafe is a treasure trove of additional reports, as well as student submissions from prior years. In addition to the Links on the Webcafe, you should refer to these Private Equity Web sites for your cases and projects:

www.empea.net (Emerging Markets Private Equity Association – see especially the “Tools”)

www.evcj.com/ (European Venture Capital Journal)

www.privateequityinternational.com (Private Equity International)

www.asiape.com (Asia Private Equity Review)

<http://mba.tuck.dartmouth.edu/pecenter/> (Dartmouth Private Equity Center for background articles)

www.venturecapitaljournal.net/

www.ventureeconomics.com (available on Lippincott as “Venture Expert”)

www.thedeal.com

www.privateequity.com

www.assetnews.com/products/news/pea.htm

9.0 Instructor Access:

Office: 428 Vance Hall – an appointment matrix will be posted on the webcafe.

Telephone: 610-642-6626

E-mail: smsammut@wharton.upenn.edu

By snail mail or over-night courier please sign to authorize “drop-off:
300 East Lancaster Avenue, Suite 1002, Wynnewood, PA 19096

10. Course Calendar, Session Agenda and Key Submission Dates

The Course Calendar is a separate document that will be updated periodically and is posted on the WebCafe. The general topics in the course are:

- Introduction to Issues in Private Equity in Emerging Markets (“PEEM”)
- Fund Formation and Capitalization
- Legal and structural issues in forming emerging market private equity fund
- Development of Fund Strategy and Managing Crisis
- Deal Sourcing, Due Diligence and Company Strategy in PEEM
- Valuation Issues in PEEM
- Term structure and negotiation in PEEM
- Exit Planning and Execution in PEEM
- Governance and Value-Add in PEEM
- Fund Performance and Evaluation Issues in PEEM

11.0 Instructor Biography:

Mr. Sammut is Senior Fellow, Wharton Health Care Systems and Entrepreneurship, and Venture Partner, Burrill & Company, a San Francisco based life science venture capital fund and merchant bank. At Burrill & Company, Mr. Sammut focuses on Japan, Latin America and Middle Eastern venture activity, with a special focus on global health venturing.

At the Wharton School, and periodically in the University of Pennsylvania School of Applied Science and Engineering, School of Law and School of Medicine), he teaches venture capital management, corporate development, mergers and acquisitions, biotechnology entrepreneurship, intellectual property strategy, and private equity in emerging markets, and a special seminar on private sector participation in international health. He is faculty advisor to student-alumni organization called the Wharton Health International Volunteer Program (WHIVP) that provides *pro bono* consulting services to public health services and clinics in the developing world. WHIVP was awarded the Health and Human Rights Leadership Award by Doctors of the World for its decade long work in developing world health systems.

Mr. Sammut is also Founder and Chair of the International Institute for Biotechnology Entrepreneurship, a non-profit organization offering intensive training programs throughout the world for managers of biotechnology companies. He actively conducts research under a grant from the Bill & Melinda Gates Foundation, in collaboration with the McGlaughlin-Rotman Center for Global Health at the University of Toronto on the capability of emerging market countries in the biotechnology and pharmaceutical industries. He is also on the faculty of the World Intellectual Property Organization/UN executive education program. He is the coordinator of the Latin American Venture Capital Association (LAVCA) research partnership with the Wharton/Lauder Institute Program.

Mr. Sammut has been involved in the creation or funding of nearly 40 biotechnology, Internet, and information technology companies globally. He is on numerous Boards of Directors and Advisory Boards including Doctors of the World USA, Mitsubishi Corporation Life Sciences Business Group, the Royal Bank of Canada Technology Venture Fund, the Cornell University Research Foundation, Combinent BioMedical Systems, Dynamis Pharmaceuticals, Gentis, Biowizard.com, the Center for Medicine in the Public Interest, Red Diamond Capital (a mid-market buyout fund), the Asia-Alpha Venture Fund, and several other organizations. He is also on the editorial board of the European Venture Capital Association Publications, The Private Equity Review, the Journal of Commercial Biotechnology and the Biotechnology Business and Law Journal.

He is also active with the International Finance Corporation/World Bank Group where he authored the bioethics review framework for life science investments and serves on the Bioethics Advisory Board, serves as the principal

consultant in the IFC's Technology Transfer Facility, and advises the health care section of the World Bank in program implementation in the developing world.

Mr. Sammut previously held the positions of Vice President of Development of Teleflex Incorporated where he created and managed acquisitions and alliances, and at S.R. One, Ltd., GlaxoSmithKline's venture capital fund. He was also Managing Director of Access Partners, a venture fund focused on formation of companies around university technologies and capitalized by corporate strategic investors.

Earlier in his career, he was Managing Director of the Center for Technology Transfer at the University of Pennsylvania, where he spun out over one dozen companies over a two-year period. He held a similar position at Jefferson Medical College. He is also co-founder and former CEO of the Philadelphia Organ Transplant Program, the largest transplant organ bank in the United States. He holds degrees in biology and humanities from Villanova University, attended Hahnemann Medical College for two years and holds an MBA from the Wharton School of the University of Pennsylvania.

