

Syllabus:
MGMT 809-001: Private Equity in Emerging Markets
Spring 2012 – Quarter 3
M/W 1:30 to 2:50 PM
(AUCTION VERSION)

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and
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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. THIS SYLLABUS INCLUDES THE COURSE AGENDA FROM THE SPRING OF 2011. IT IS INCLUDED FOR PURPOSES OF ILLUSTRATION BUT THE 2012 AGENDA WILL BE SUBSTANTIALLY SIMILAR.

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, 2011 Full Time Program Edition, compiled by Stephen M. Sammut

There will also be downloadable optional pack on study.net

4.0 Requirements and Grading:

The major deliverable for the course is a project, typically done by teams of 4 to 6 students, although individuals and smaller teams sometimes submit. The project is 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 4 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.

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.

7.0 Case Discussion

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

9. 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

10.0 The Instructor

Office: 422 Vance Hall – an appointment matrix will be posted on the webcafe.
Telephone: 610-202-6597
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

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.

COURSE AGENDA FROM SPRING 2011

NOTE: THE SCHEDULING OF SPEAKERS FOR THE SPRING OF 2012 IS UNDERWAY. THE SPEAKER ROSTER WILL BE OF SIMILAR CALIBER TO 2011 AND WILL INCLUDE GUESTS FROM EACH OF LATIN AMERICA, CHINA, INDIA, MENA, SUBSAHARAN AFRICA AND RUSSIA.

Session	Content	Reading Assignments	Leadership Cases to Discuss
1 Weds January 12	Introduction to Issues in Private Equity in Emerging Markets (“PEEM”) and Development of Fund Strategy and Managing Crisis -History and trends -Contrasts with US/Europe -Hierarchy of risks -Risk mitigation strategies -Role of PE/VC in economic development	Bulk pack articles 1 through 8 Lecture slides	Chrysalis Capital: Venture Capital in an Emerging Market <i>Location: Bulk Pack</i> Read the case in great detail. REQUIRED READING
Mon Jan 18	Join Regional/Country “Brain Trust”		
2 Weds January	Guest speaker		Lecture and discussion: The Opportunities and Challenges of Funding Innovation in the Emerging Markets: The Case of Biotechnology in India

19	P. M. Murali Ph.D.,D.Sc.(A.M.). Managing Director & CEO, Evolva Biotech Private Limited President & CEO, Evolva, Inc.		<p>Dr. Panchapagesa Murali is the Managing Director and CEO of Evolva India since September 2006. He also serves as acting CEO of Evolva’s US operations.</p> <p>Dr. Murali has over 20 years of experience in Pharmaceutical & Healthcare R&D, including management of more than 10 clinical trials, in particular in respiratory diseases. Previously he was Founder and Director (for 16 years) of Dalmia Centre for Research and Development, developing and launching natural product based therapeutics, and Founder and Chairman of MLC & Netpeople group of IT & Telecom companies (Networking solutions, Banking Security and communication services). Dr. Murali is a former Indo-US scientist at Battelle-Kettering, Ohio and fellow of Unilever India.</p> <p>He received a Ph.D. in Microbiology and Microbial technology from Madurai Kamaraj University. Dr. Murali is currently General Secretary of the Association of Biotechnology Led enterprises in India.</p>
Monday Jan 24 11:59 PM	DELIVERABLE: One Page Project Proposal to be posted on webcafe by 11:59 PM Monday		
3 Mon Jan 24	Deal Sourcing, Due Diligence and Company Strategy in PEEM Capitalization Issues in PEEM	Lecture slides and CASE 4	25 minutes lecture 55 minutes – case discussion CASE 4: Ocean and Oil Holdings: Creating a Sustainable Private Equity Business in Africa, March 2006

	<ul style="list-style-type: none"> -Evolution of fund development in selected emerging markets -Contrasts in India, China and Brazil -Role of governments in the building of a venture capital base in emerging markets -Approaches to inventorying base of opportunities - Understanding the point of view and expectations of entrepreneurs, families and existing owners -Identifying and navigating relationships with corporate partners -Working with international financial institutions, e.g., the IFC, World Bank and other regional development banks -Approaches to building deal flow in emerging markets - Special issues in setting up a system for deal processing 		<p>Discussion focus group: Africa Brain Trust All students to read case</p> <p>:</p>
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	<ul style="list-style-type: none"> -General transactional path - Special diligence factors in emerging markets and approaches to analyzing these -Challenges of deal origination - “Concept arbitrage” - Building companies around products or technologies transferred from other countries - The dangerous allure of “roll-up” strategies in emerging markets - Laying the groundwork for value added activity in the emerging market circumstances 		
<p style="text-align: center;">4</p> <p>Weds Jan 26</p>	<p>Guest Speaker:</p> <p>Focus Africa</p> <p>Thomas Barry, CEO and Founder Zephyr Management</p>	<p>http://www.zephyrmanagement.com</p>	<p>Prior to founding Zephyr, Mr. Barry was President and CEO of Rockefeller & Co., the investment management arm of the Rockefeller family, from 1983 to 1993. Previously, Mr. Barry was employed by T. Rowe Price Associates, Inc. from 1969 to 1982. Among other responsibilities, he was President of T. Rowe Price New Horizons Funds, Inc., then the largest mutual fund specializing in small capitalization companies. Mr. Barry received an MBA from Harvard Business School in 1969 and an undergraduate degree from Yale University in</p>

			1966 where he majored in Latin American Studies. He is a Chartered Financial Analyst (CFA).
5 Mon Jan 31	Valuation and term structure and negotiation in PEEM Special valuation issues in PEEM and their relationship to term structure PART 1 -Country limitations in VC deal structure -PE and buyout considerations in deal structuring and contrast with US - Structuring PE deals without leverage	Article 10 – Course Pack – Valuation in EM	Lecture: 25 minutes Case discussion: 55 minutes CASE 13: GNP Power: Financing a Power Project in the Philippines, April 2010 Discussion Focus Group: ASEAN Brain Trust Group All students must read case
Weds Feb 2 11:59 PM	Two page detailed project outline to be posted on webcafe by 11:59 PM		
6 Weds Feb 2	Valuation and term structure and negotiation in PEEM Special valuation issues in PEEM and their relationship to term structure PART 2	Article 12, Course pack “Secondaries”	Lecture: 25 minutes Case discussion: 55 minutes CASE 12: Enforta: Private Equity Investment in Russia, April 2010 Discussion focus group: Russia/Eastern Europe Brain Trust All students must read case

	<p>-IFC's "quasi-equity structures"</p> <p>-Country limitations in VC deal structure</p> <p>-PE and buyout considerations in deal structuring and contrast with US</p> <p>- Structuring PE deals without leverage</p>		
<p>7 Mon Feb 7</p>	<p>Exit Planning, Alternatives and Execution in Emerging Markets</p> <p>-Alignment with entrepreneurs' expectations and goals</p> <p>-Role and risks of local listing</p> <p>-Information resources for offshore listing</p> <p>-Inherent problems of illiquidity in emerging markets</p> <p>-Strategies for domestic and off-shore trade sales</p>		<p>CASE 10: 4G WIMAX Consolidation in the Balkans, April 2010</p> <p>Discussion focus group: Emerging Europe</p> <p>All Students must read case</p>
<p>8 Weds Feb 9</p>	<p>Focus: Russia</p> <p>Guest Speaker:</p> <p>David Bernstein</p>		<p>Lecture on private equity in Russia</p> <p>David Bernstein is the Director of Investor Relations and Fund Operations of Baring Vostok Capital Partners. He joined the company in 2003. His primary role is facilitating direct communication with existing and future</p>

	Director, Investor Relations Baring Vostok Capital Partners		investors. Before coming to Baring Vostok, David worked on micro-finance projects for the International Labor Organization (ILO) in Switzerland. From 1998-2001, he was employed as Senior Program Associate at Business for Social Responsibility in San Francisco, where he worked with US multinational companies on labor, environment and community development issues. David has a Bachelor's Degree in History from Columbia University and a Master's Degree in International Relations and Economics from Johns Hopkins University.
9 Mon Feb 14	Focus: Latin America Guest Speakers Arturo Demalde Pablo Vera Pinto LeadGate Capital		<p>Full class: Pluna Airlines</p> <p>CASE 15: The Turnaround of Pluna Airlines by LeadGate, April 2010</p> <p><i>Discussion focus Group:</i> Latin America Brain Trust All students must read case</p> <p>Arturo Demalde is a founding partner of LeadGate. He is currently a member of Pluna's board of directors and Head of the Transformation Office. Prior to Pluna he co-headed the turnaround effort at Parmalat Uruguay, which has been featured in a Harvard Business School class case. Before founding LeadGate, Arturo held managerial positions in strategy, sales, and marketing in the technology and telecommunications sector in Latin America, the U.S., Europe, and the Middle East for Siemens and Dell Computers. He holds a Magna Cum Laude BA degree in Economics from Universidad de Buenos Aires and an MBA with honors from Harvard Business School.</p> <p>Pablo M. Vera Pinto is a Principal at LeadGate. He currently leads LeadGate's restructuring teams in its portfolio companies.</p>

			<p>He joined LeadGate from McKinsey & Co. in Europe, where he worked on strategy development, commercial transformation and operational turnaround projects in the consumer goods and retail sectors. Previously, he worked in investment banking for Credit Suisse First Boston in New York, as part of its technology and media groups, and for Lehman Brothers based in Buenos Aires. Pablo has gained consulting and corporate finance experience in the U.S., Germany, U.K., Spain, Canada, The Netherlands, Brasil, Argentina and Uruguay. He holds a BA degree in Economics from Universidad Di Tella and an MBA degree from INSEAD, France.</p>
<p>10 Weds Feb 16</p>	<p>The Value add role of fund managers and special governance issues in emerging markets</p> <ul style="list-style-type: none"> -Role in management team development -Monitoring company progress and financial reporting -Developing partnering and market relationships with off-shore companies -Special issues in the board relationship 	<p>Article 9, Course Pack “Sullivan and Lin”</p> <p>Articles 21, 22 and 26 for background on China</p>	<p>25 minutes lecture 55 minutes case discussion</p> <p>CASE 7: Private Equity Investment in MOBY: Investing in China’s New Media Sector, February 2006</p> <p>Discussion Focus Group: China Brain Trust All students must read case</p>
<p>11 Mon Feb 21</p>	<p>Focus: The Middle East</p> <p>Guest speaker: Arif Masood Naqvi</p>		<p>Lecture intermingled with case discussion</p> <p>Arif Naqvi is Founder and Group Chief Executive Officer of Abraaj Capital. Abraaj is the largest private equity group in the Middle East, North Africa and South Asia (MENASA) with paid-up capital of US\$ 1.5 billion. Since inception in 2002, it</p>

	<p>Founder & Group Chief Executive Officer</p> <p>Abraaj Capital Limited</p>		<p>has raised about US\$ 7 billion and distributed about US\$ 3 billion to its investors. Abraaj has been associated with some of the region’s most notable transactions and has won numerous awards including ‘Middle East Private Equity Firm of the Year’ from London-based Private Equity International (PEI) five years in a row since 2005.</p> <p>Mr. Naqvi is a member of the Young Presidents Organization, where he was the Emirates Chapter Chairman from 2002 to 2003. He was designated a New Asian Leader by the World Economic Forum (WEF) in 2003 / 2004, and is a member of numerous think-tanks and policy groups such as the WEF Arab Business Council. He is a board member of the Pakistan Human Development Fund and the King Abdullah II Award for Youth Innovation & Achievement in Jordan. He is also a member of the Board of Directors of the Emerging Markets Private Equity Association, the IMD Foundation Board and the Advisory Board of the Columbia University Middle East Research Center.</p> <p>In 2007 and 2008, PEI identified Mr. Naqvi as one of the 50-most influential people in the global private equity industry. In 2006, he was awarded the highest civilian honour in Pakistan, the Sitari-e-Imtiaz, by the republic’s president. Mr. Naqvi is a graduate of the London School of Economics and previously worked with Arthur Andersen & Co, American Express Bank, Saudi Arabia’s Olayan Group and The Cupola Group, which he founded in 1994. Mr. Naqvi is married with two children.</p> <p>CASE 6: The Abraaj-Aramex Acquisition, April 2008</p> <p><i>Discussion focus group: MENA Brain Trust</i> All students must read case</p>
<p>12 Weds</p>	<p>Focus: China</p>		<p>Sino-Century is a China Private Equity Fund which pursues a non-leveraged growth capital strategy focused</p>

<p>Feb 23</p>	<p>Guest speaker: Anla Cheng Partner Sino-Century China Private Equity Partners, LLC</p>		<p>on investing in three sectors: financial information services, sustainable environment and high-end manufacturing. The firm’s objective is to be the premier mid-market China private equity firm.</p> <p>Prior to joining Sino-Century, Ms. Cheng ran a Family Office of Asian Hedge, PE and Alternative Strategy Fund of Funds. Previous to this, she worked a Robert Fleming, New York as SVP and Head of Japan/Taiwan/ Korea Institutional Sales Group. She started her career at Goldman Sachs on the GNMA bond desk. She then moved on to Citigroup, where she started as Pacific Basin analyst, then later, became an Asian portfolio manager.</p> <p>Anla received her MBA from the Wharton School and graduated magna cum laude from the Pratt Institute. She speaks English, Chinese and Japanese. She is a Trustee of the following Boards: Committee 100; Facing History and Ourselves; Museum of Chinese in America and the Riverdale Country Day School. Her past Board affiliations include; Chair of ThinkQuest, The Browning School and the NY Community Trust.</p>
<p>Post Project slides (4 to 5) on project by 11:59 PM, Friday February 25</p>			
<p>13 Mon Feb 28</p>	<p>TEAM PROJECT PRESENTATIONS Will Operate multiple rooms</p>		
<p>14 Weds March 2</p>	<p>Special issues in measuring and benchmarking fund performance in emerging markets and raising successor funds in the PE and VC asset classes as environments evolve</p>		<p>Lecture: 25 minutes Case Discussion 55 minutes CASE 9: Helios Investment Partners: Private Equity Investment in Nigeria, March 2008</p> <p>All students must read case</p>

**Monday
March 21**

Post FINAL PROJECT on webcafe by 11:59 AM Monday, March 21