

UNIVERSITY OF PENNSYLVANIA  
The Wharton School  
FNCE 383/883 - Strategic Equity

D. Erickson & D. Musto

**REVISED – November 16, 2016**

**Course Objectives**

The course combines lectures and cases, and will go through actual situations where companies need to strategically use equity. We will address different phases of a company's life cycle including:

- A private venture-backed company looking to raise private equity capital;
- Private companies considering to go public;
- Public companies looking to raise additional equity capital;
- Public companies looking at strategic alternatives including carve-outs, spins, and split-offs;
- Public companies managing through financial crisis, whether market-driven or self-imposed; and
- Public companies making significant acquisitions

Through these cases, from the decision-maker's perspective, we will explore the different paths that can be taken and consider issues such as investor activism, governance and regulatory and valuation impact. The cases span industry sectors, and include both U.S. and global companies. To give you a sense of the diversity of the companies covered, this is the group of companies we covered in this course this past term:



While the markets were not cooperative this spring to discuss “live” deals in the market, we hope to be able to do that during this term.

Additionally, to broaden the discussion, we will also have a few guest speakers through the term to provide different perspectives.

Ideally, the course is designed for those that are looking at careers in corporate finance, investment banking, and private equity/venture capital, as well as those that may be looking to start their own ventures.

### **Prerequisites**

Corporate Finance.

### **Grading**

The course grading will have three components: 1) two case assignments (will each count as 20% of your grade for the term); 2) class engagement (30%), including 20% for quizzes (dates TBD); and 3) final group project (30% of the term grade). Students will prepare to discuss all cases, but only the two will be handed in.

The two group case assignments will be assigned during class, and will be **due at 8 am the day they are due**. All group assignments, as well as the final group project, will be graded on overall quality, as well as relative to the other groups’ submissions.

As the course is case-driven, class engagement is important. While class attendance is a factor, quality, not quantity, of participation and contribution to class discussion will be valued.

The group project will be assigned halfway through the term, and will culminate with a final group presentation during the last week of the course. This timing will provide that we have covered the content that you will cover in your presentation, as well as give you adequate time to prepare.

It is important to note that all assignments and projects will be based on content that we will have already covered in the course. That having been said, if there are questions on content throughout the term, please reach out to us as soon as possible. So, don’t wait until the end, as we expect the knowledge gained will be cumulative; so if you have questions early in the term, it likely won’t get easier as the term progresses.

### **Course Materials/Canvas site**

While there is no dedicated text for the course, there is a combination of cases, teaching notes, and other materials that we use through the term. As a result, we rely heavily on the Canvas site to post material. Unfortunately, there are a few structural limitations on Canvas that may make it difficult to navigate (i.e., cases that are published/copyright protected that need to be purchased such as HBS cases need to be on Study.net; while cases we have developed that haven’t been published can’t utilize Study.net but can be posted elsewhere).

Because of this, in the syllabus, we try to identify where the cases are located to ease navigation. In the syllabus, cases are identified in **Bold** if they are posted in the **Study.net** section of Canvas; while cases/materials identified in *Italics* will be posted in a section called “Documents for Class” posted in the

**Files** section.

There also may be something topical (e.g. a recent deal) that happens in the market during the term; if so, we will post an **Announcement** on Canvas a few days before class. While we may discuss it in the subsequent class, you will not be held accountable for preparation unless we explicitly mention it in an announcement.

Given our reliance on Canvas for this course, we would suggest getting the Canvas app (if you don't already have it) for your mobile devices to stay current with developments.

Additionally, we have posted lots of additional material on the Canvas site such as prospectuses, research reports, and background materials on topics including Activism, Private Equity and Venture Capital. These are posted as an "FYI" for those that are interested, unless we explicitly state that you should focus on a specific document for class and we will post in "Documents for Class."

The following is an illustrative screenshot from this past summer's FNCE 883 course:

2016B (Summer 2016)

Home

Announcements

Assignments

**Files**

Study.Net

Materials

Discussions

Grades

People

Pages

Syllabus

Quizzes

Modules

Conferences

Class Recordings

Collaborations

Chat

Outcomes

Settings

**FNCE 883-41w > Files > Documents for Class**

Search for files

0 items selected

**FNCE 883 (41 West) - Summer 2016**

- Announcement Attachments
- Background Readings
- Cases
- Documents for Class**
  - Class 1 - For May 6th (A)
  - Class 2 - For May 6th (B)
  - Class 3 - For May 7th (A)
  - Class 4 - For May 7th (B)
  - Class 5 - For June 3rd
  - Class 6 - For June 4th (A)
  - Class 7 - For June 4th (B)
  - Class 8 - For June 17th (A)
  - Class 9 - For June 17th (B)
  - Class 10 - For June 18th (A)
  - Class 11 - For June 18th (B)
  - Optional - Extra Materials
- Instructor Folder
- IPO Process Materials
- Notes
- Prospectuses
- Research - IPO Initiations
- Slides
- Syllabus

**Name**

- Class 1 - For May 6th (A)
- Class 2 - For May 6th (B)
- Class 3 - For May 7th (A)
- Class 4 - For May 7th (B)
- Class 5 - For June 3rd
- Class 6 - For June 4th (A)
- Class 7 - For June 4th (B)
- Class 8 - For June 17th (A)
- Class 9 - For June 17th (B)
- Class 10 - For June 18th (A)
- Class 11 - For June 18th (B)
- Optional - Extra Materials

### **Attendance and other Course Etiquette**

You will be expected to attend each class, except for the last week. The last week will only be for the final group presentation, and you will only be expected to attend for your group's presentation slot. These specific slot times will be determined later in the term. If you are unable to attend class, please give us advance notice to get it excused (unless in the case of illness/family emergency). Quizzes, given in class, will not be made up unless the absence from class was excused.

If you are unable to attend your group presentation slot, a mutually agreeable time will need to be determined for both your team and us; so please make every effort to make your group presentation slot.

Cases and readings will be assigned for each class. Please be prepared to actively participate in each class, and be professional and courteous to your classmates.

### **Office Hours**

We will be posting weekly office hours for us as well as our TAs. If those times don't suit your schedule, please email one of us to arrange a convenient time to connect:

David Erickson at [davider@wharton.upenn.edu](mailto:davider@wharton.upenn.edu)

David Musto at [musto@wharton.upenn.edu](mailto:musto@wharton.upenn.edu)

### Week-by-week Tentative Syllabus:

CLASS	TOPICS
1 – Thursday, January 12	<ul style="list-style-type: none"><li>• Course Introduction &amp; Canvas Overview</li><li>• Market Overview Lecture</li><li>• Introduction to Deals: Prospectuses &amp; Research</li></ul>
2 – Tuesday, January 17	<ul style="list-style-type: none"><li>• Overview of Private Market</li><li>• Discuss <b>Endeca</b> case</li></ul>
3 – Thursday, January 19	<ul style="list-style-type: none"><li>• Crowdfunding Lecture</li><li>• Guest Speaker: Slava Rubin, Founder &amp; CEO, Indiegogo</li></ul>
4 – Tuesday, January 24	<ul style="list-style-type: none"><li>• Overview of Going Public Decision</li><li>• IPO Process Lecture</li><li>• Discuss <i>Note on IPO Analysis</i></li></ul>
5 – Thursday, January 26	<ul style="list-style-type: none"><li>• Discuss <b>Jet Blue IPO</b> Case</li><li>• Discuss <i>Under Armour IPO</i> Case</li></ul>
6 – Tuesday, January 31	<ul style="list-style-type: none"><li>• <b>Alibaba</b> Assignment is Due</li><li>• Discuss <b>Alibaba</b> case</li><li>• International Markets Lecture</li></ul>
7 – Thursday, February 2	<ul style="list-style-type: none"><li>• Financing Decisions Lecture</li><li>• Review <i>Note on Raising Equity and Equity-linked Capital</i></li><li>• Discuss <b>JetBlue Financing</b> case</li></ul>
8 – Tuesday, February 7	<ul style="list-style-type: none"><li>• Strategic Alternatives Lecture</li><li>• Discuss <b>EMC-VMware</b> case</li><li>• Discuss <i>McDonald's-Chipotle</i> case</li><li>• Discuss <i>Note on Strategic Alternatives</i></li></ul>
9 – Thursday, February 9	<ul style="list-style-type: none"><li>• Strategic Solutions Lecture</li><li>• Guest Speaker: Daniel Kerstein, Head of Strategic Solutions, Barclays</li></ul>
10 – Tuesday, February 14	<ul style="list-style-type: none"><li>• Private Equity Lecture</li><li>• Guest Speaker: Chris Turner, Chief Operating Officer, Warburg Pincus</li></ul>

11 – Thursday, February 16	<ul style="list-style-type: none"> <li>• Impact of Financial Crises Lecture</li> <li>• <b>Alcoa (2009) Assignment</b> is Due</li> <li>• Discuss <b>Alcoa</b> case</li> <li>• Discuss <i>Netflix</i> case</li> </ul>
12 – Tuesday, February 21	<ul style="list-style-type: none"> <li>• Activism Lecture</li> <li>• Discuss <b>Elliott – Goes After Riverbed</b> Case</li> <li>• Discuss <b>Pershing Square – JCP</b> Case</li> </ul>
13 – Thursday, February 23	<ul style="list-style-type: none"> <li>• Acquisition Financing Lecture</li> <li>• Discuss <b>Electrolux-GE Appliance</b> Case</li> <li>• Discuss <b>Freeport-McMoRan</b> Case</li> </ul>
14 – Tuesday, February 28	<ul style="list-style-type: none"> <li>• FINAL - Group Presentations</li> </ul>
15 – Thursday, March 2	<ul style="list-style-type: none"> <li>• FINAL - Group Presentations</li> </ul>