

UNIVERSITY OF PENNSYLVANIA
The Wharton School
FNCE 283/783 - Strategic Equity

D. Erickson & D. Musto

REVISED – November 16, 2020

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 going 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, regulatory and valuation impact. The cases span industry sectors and include both U.S. and international companies. To give you a sense of the diversity of the companies covered, below represents some of the companies we covered in last Spring's term:



As we do every term, we will work to incorporate “live” situations into this term as well. Unfortunately, with the pandemic starting last Spring, it gave us plenty of “live” situations to explore including troubled situations like Carnival Cruise Lines and airbnb.

To broaden the discussion, we hope to have a few guest speakers this term. In addition to leverage our time together, we have posted videos of previous guest lecturers including Wharton alums Will Danoff (Portfolio Manager of Fidelity Contrafund, the largest actively managed equity mutual fund in the world); venture capital panelists Sarah Guo (Partner, Greylock Partners), Trevor Oelschig (Partner, General Catalyst Partners), Arif Janmohamed (Partner, Lightspeed Venture Partners), Neil Occhiogrosso (Partner, Costonoa Ventures), Rama Sekhar (Partner, Norwest Venture Partners), and Jason Stoffer (Partner, Maveron Partners); crowdfunding entrepreneur Slava Rubin (Founder, Indiegogo, one of the largest crowdfunding sites); Rob Katz (CEO, Vail Resorts); as well as Mike Bingle (Managing Partner, SilverLake Partners); Jeremy Levine (Managing Partner, Bessemer Venture Partners); Greg Schott (CEO, MuleSoft) and Glenn Schiffman (CFO, IAC). A few of these videos we will ask you to watch to further focus our discussions. If this is the case, we will discuss in class, as well as post an announcement, to help you prepare for class.

Prerequisites

Corporate Finance.

Grading

The course grading will have three components: 1) two group case assignments (will each count as 20% of your grade for the term); 2) class engagement (30%), which will include class participation as well as a few quizzes based on either videos (both the Will Danoff and Rob Katz videos have corresponding quizzes) or content from class and/or the materials assigned for class; and 3) final group presentation (30%). At this moment, we are planning for the group presentations to be delivered remotely. These final presentations will be scheduled during the last week of the course, and **all team members need to participate in their group presentation.**

The two group case assignments will be assigned during class and will be **due at 8 am (US Eastern/Philadelphia time) on the day they are due.** Due dates for each group assignment are boxed on the calendar on the class-by-class syllabus. All group assignments will be graded on both overall quality, as well as relative quality to the other groups’ submissions. Additionally, two of the quizzes related to the Danoff and Katz videos are also boxed on the calendar. These will also be **due at 8 am on the day they are due.** The other quizzes will be TBD, but all will be given proper notice to complete on time given the time differences of some of the students that may be overseas.

As the course is case-driven, we would still encourage class participation; and will do everything possible to encourage this. Ideally, quality, not quantity, of participation and contribution to class discussion will be valued. We recognize however that some students will not be able to join our classes “live” given the time difference of where they are now. Please try to let us know if you are unable to join “live.” This way in addition to trying to connect with you at times best for you, we also can help facilitate group formation for those that might have similar timing issues.

The final group assignment will be assigned probably about halfway through the term. This timing will

provide that we have covered the content needed, as well as give you adequate time to prepare. For the final assignment, it is our expectation that all group members are available and will participate. Though, if there is an emergency, please let us know as soon as practical and we will work to make necessary accommodations.

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 that is the case, we will send an email via Canvas.

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, Direct Listings, Private Equity, SPACs 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 that in "Documents for Class."

The following is an illustrative screenshot from our Canvas site:

Attendance and other Course Etiquette

We will be recording all classes, but we would encourage all of those that are able to join class “live” please do so. For those that are unable to join “live,” you are still responsible for the content covered in class as well as completing all group assignments and quizzes when due.

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 & Contact Information

Instead of posting weekly office hours given our current situation (and mode of communication), we think it is probably most efficient to be as flexible as possible. If you want to connect, please email one of us to arrange a convenient time to schedule either a video call or phone call. Also, for those outside the US now, if WhatsApp or WeChat is a better way to connect, please let us know.

David Erickson at davider@wharton.upenn.edu

David Musto at musto@wharton.upenn.edu

Class-by-class Tentative Syllabus (all times listed US Eastern/Philadelphia time):

CLASS	TOPICS
1 – Tuesday, March 16	<ul style="list-style-type: none"> • Venture Capital Panel
2 – Thursday, March 18	<ul style="list-style-type: none"> • Course introduction & Canvas Overview • Private Market and Going Public Discussion • Discuss <i>Vineyard Vines, Harry's, Virgin Galactic, Spotify, and Snowflake</i> "vignettes"
3 – Tuesday, March 23	<ul style="list-style-type: none"> • "Will Danoff" Quiz is Due at 8 am • The Going Public Overview – IPOs, Direct Listings & SPACs • Discuss Square IPO & <i>Collier Creek - Utz</i> cases
4 – Thursday, March 25	<ul style="list-style-type: none"> • Discuss JetBlue & Quintiles cases
5 – Tuesday, March 30	<ul style="list-style-type: none"> • First Group Case Assignment is Due at 8 am • Discuss Alibaba case • International Markets Lecture
6 – Thursday, April 1	<ul style="list-style-type: none"> • Financing Decisions Lecture • Review <i>Note on Raising Equity and Equity-linked Capital</i> with focus on <i>Tilray and Carnival Cruise</i> "vignettes" • Discuss Jet Blue Financing case
7 – Tuesday, April 6	<ul style="list-style-type: none"> • Strategic Alternatives Lecture • Review <i>Note on Strategic Alternatives</i> • Discuss EMC-VMware case
8 – Thursday, April 8	<ul style="list-style-type: none"> • <i>Strategic Alternatives Guest Lecture</i>
9 – Tuesday, April 13	<ul style="list-style-type: none"> • The Activist Market • Discuss Elliott-Riverbed case
10 - Thursday, April 15	<ul style="list-style-type: none"> • Second Group Case Assignment is Due at 8 am • Discuss Alcoa & Netflix cases
11 – Tuesday, April 20	<ul style="list-style-type: none"> • M&A At Home Quiz is Due at 8 am • Acquisition Financing Lecture • Discuss Electrolux-GE Appliance & Social Capital – Clover Health cases

12 – Thursday, April 22	<ul style="list-style-type: none">• <i>Private Equity Guest Lecture</i>
13 – Tuesday, April 27	<ul style="list-style-type: none">• Final Presentations
14 – Thursday, April 29	<ul style="list-style-type: none">• Final Presentations

