

**ADVANCED TOPICS IN PRIVATE EQUITY
FNCE 401
SPRING 2021**



TUESDAYS 3:00PM-5:50PM

CO-INSTRUCTORS:

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&

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COURSE DESCRIPTION:

This course will cover a variety of applied topics in private equity (PE) with a focus on growth and later-stage buyout transactions. Venture capital is not explicitly addressed in this course. It will have a primarily U.S.-centric view that should be largely applicable to other markets. The goal of this course is to educate students about the substance, process, and mechanics of PE investing through the lens of the investment professionals, counterparties and advisors that drive transactions to completion. Course topics will address the entirety of the deal process and value creation in the post-acquisition period and will include the following:

- LBO modeling
- Commercial due diligence (principles and execution)
- Debt financing
- Sale & purchase agreements (SPA)
- Accounting diligence
- Deal structuring
- Operations & Value creation

Throughout the course, students will learn about each element of the deal process through in-class lectures, while concurrently applying those learnings to former transactions (these must be old enough that sharing material is no longer sensitive). The in-class lectures will

cover conceptual frameworks, practical considerations, and real-world case studies and examples. There will be four assignments in this course. The first three assignments will apply these learnings to the art of the deal through a real world lens. In the last assignment, students will develop a value creation plan for designated public companies “TargetCo1” and “TargetCo2”.

Students are expected to actively engage in classroom discussions, challenging one another and the instructors about how to think through these issues in an ever-evolving investment world. In addition, throughout the course, students are expected to work as a team on the assignments.

PRE-REQUISITE

Finance of Buyouts and Acquisitions (FNCE 251)

COURSE MATERIALS:

There is no required textbook for this course. There will be other reading materials throughout the course, which will be available via the course website. In addition, mock deal materials will be available in an online, dataroom-like environment.

Please note that this class will not be recorded.

COURSE GRADING:

Course performance is evaluated based on the following five elements (Each assignment must be submitted through Canvas and **is due at 3:00pm on assigned dates.** Please see ‘Course Outline’ for relevant due dates.)

- **#1: Buyout Model Exercise (10%):** Evaluation will be based on the accuracy and completeness of the modeling exercise.
- **#2: Investment Committee Deck (25%):** Evaluation will be based on the soundness of the investment judgment shown, including identification of appropriate theses and risks, supporting evidence for conclusions drawn with respect to them, and the reasonableness of the final purchase price proposed.
- **#3: Deal Structuring Deck (20%):** Evaluation will be based on the soundness of the investment judgment shown, including identification of appropriate theses and risks, supporting evidence for conclusions drawn with respect to them, and the reasonableness of the transaction structure.
- **#4: Value Creation Grid & Write-up (20%):** Evaluation will be based on the soundness of the team’s development of the Value Creation Plan. It will be based on the depth and the robust reasoning of the VCP, the underlying assumptions that were used to create it as well as the quality of the written and verbal communication at the company’s “Board meeting”.
- **#5: Participation (25%):** Your participation score will be determined based on three factors. i) In-Class Participation - Evaluation will be based on both the substance and frequency of students' individual in-classroom engagement. ii) Evaluation Scores - Each student will anonymously evaluate his/her team members for each case and

project submission. Your team members' evaluation of your efforts and your participation in the survey will contribute to your participation score. iii) Class Surveys - We will circulate a survey following each guest speaker session. Completing these surveys will contribute to your participation score.

Students can improve their participation grades by making positive contributions to the class, for instance, by sharing an interesting article on the class discussion board.

In light of the interactive and small group nature of the course, **attendance is mandatory. Recorded attendance requires that you have your web camera on at all times.**

GROUPS:

Students will work on assignments in a group of their choice. Each group must be composed of four or five (recommended) students. We suggest forming a team with diverse skill sets. Once you form your group, please register your team on the Canvas site **by February 3rd**.

RE-GRADE REQUESTS

If you feel that an item has been incorrectly graded, you may submit a re-grade request to Burcu Esmer, *not to a TA*. Each re-grade request must include a concise written explanation of the problem accompanied by the original graded assignment and must be submitted **within one week** after the assignment is graded and made available for review. Please note that re-grading applies to the whole assignment, not just the part(s) mentioned in your request. If you are submitting a request for a group project, please carbon copy (cc) your team members in your email and include your group number in your request.

CODE OF ETHICS:

This class operates under the Wharton Honor Code. Students are expected to do their own work (or work within their group) and is not permitted to use materials from former students or prior years that relate to the mock deal other than what is currently provided on the course website. When a project requires you to produce a forecasting/valuation model, the use of a model not created exclusively by the students on the team for the purposes of this class is a violation of the code of academic integrity. For all submitted assignments, students must start with an Excel spreadsheet which is at most populated with raw data. Any violation of this rule will be treated as a breach of the Honor Code.

The University of Pennsylvania's Code of Academic Integrity is available at:

<https://provost.upenn.edu/policies/pennbook/2013/02/13/code-of-academic-integrity>

TENTATIVE COURSE OUTLINE

Please note that this is a tentative outline, and there will likely be some changes with advance notice given in class and/or Canvas. Please note that some **guest lectures may be held outside regular class time based on our guests' availability.**

Session 1: January 26

Part I – Introduction & Organization

Part II – LBO Modeling Refresher

Session 2: February 2

Commercial Due Diligence 101: What is It?

Session 3: February 9

Commercial Due Diligence 102: What to Do?

Project #1 Due - Prepare Buyout Model and Theses / Risks for Allison Transmission

Session 4: February 16

Debt Financing

Pre-Class Reading: Axle Tech Financing Grid

Part I – Guest Speaker: TBA

Part II – Guest speaker: Lou Salvatore (Sr. Managing Director & Co-Head of Blackstone Capital Partners Performing Credit team)

Session 5: February 23

Debt Documents

Guest speakers:

David Nemecek (Corporate Partner Resident, Kirkland & Ellis LLP)

Austin Glassman (Corporate Partner, Kirkland & Ellis LLP)

Project #2 Due - Prepare Investment Committee Deck for AxleTech

Session 6: March 2

Part I – Sale & Purchase Agreements

Guest Speaker: Shawn OHargan (Corporate Partner, Kirkland & Ellis LLP)

Pre-Class Reading: AxleTech SPA Negotiation

Part II – Accounting Diligence

Session 7: March 9

Part I – Tactical Opportunities

Guest Speaker: David Blitzler (Global Head of Tactical Opportunities, Blackstone)

Part II – Guest Speaker: TBA

Session 8: March 16

Vertical Focus

Part I – Oil & Gas

Guest speaker: Billy Quinn on Oil&Gas (Managing Partner, Pearl Energy)

Part II – TBA

Session 9: March 23

Deal Structuring

Guest Speaker:

Dan Zilberman (Managing Director, Head of Special Situations, Warburg Pincus)

Project #3 Due - Primerica

Session 10: April 6

The PE Operating Perspective

Guest Speaker:

Pericles Mazarakis (Managing Partner, Trispan)

Session 11: April 13

Planning for Success

Guest Speakers:

Pericles Mazarakis (Managing Partner, Trispan)

Jim Corey (Co-Founder and Managing Partner, Blue Ridge Partners)

Session 12: April 20

Project #4 Presentations

Project #4 Due (April 18, 11:59pm) – Operational Value Creation Plan

Session 13: April 27

Part I – Future of Private Equity

Guest speaker: David Mussafer (Chairman and Managing Partner of Advent International)

Part II – Course Wrap-up