

**ADVANCED TOPICS IN PRIVATE EQUITY**  
**FNCE 4010**  
**Fall 2023**  
**(Updated on August 27, 2023)**



**Tuesdays 3:30 – 6:30 pm**  
**JMHH 265**

**INSTRUCTOR**

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**TEACHING ASSISTANTS**

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**COURSE DESCRIPTION**

This course will cover 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. The course will have a primarily U.S.-centric view that should be broadly applicable to other markets. It aims 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:

- Refresher: 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 lessons to past transactions (these must be old enough that sharing material is no longer sensitive). The lectures will cover conceptual frameworks,

practical considerations, real-world case studies, and examples.

In this course, there will be four assignments for which students are expected to apply many concepts they have learned at the Wharton School. These assignments will apply the learnings to the art of the deal through a real-world lens. Students will develop a value creation plan for designated companies "TargetCo1" and "TargetCo2" in the last assignment.

Students are expected to actively participate in classroom discussions, challenging one another and the instructor 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-REQUISITES**

- Completion of Finance of Buyouts and Acquisitions (FNCE 251) is highly recommended.
- Familiarity with Excel and financial modeling

### **COURSE MATERIALS**

There is no required textbook for this course. For technical discussion, I recommend Joshua Rosenbaum and Joshua Pearl, "Investment Banking: Valuation, LBOs, M&As and IPOs," 3<sup>rd</sup> edition, Wiley. This book can be found under Course Materials @ Penn Libraries on the course webpage. I also suggest these pages: PitchBook, Preqin, PEHub, The New York Times Deal Book, Wall Street Journal, Financial Times, Reuters M&A Page, and MarketWatch M&A Page. There will be other reading materials throughout the course, available under the Assignments > Readings Tab on the course website. In addition, mock deal materials will be available in an online, "data room"-like environment. The instructor will bring hard copies of the slides to each session. Guest speakers' materials will be shared with the class only if the guest speaker grants permission.

### **GROUPS**

Students will work on the four assignments in a group of their choice. Each group must be composed of four or five (recommended) students. We suggest a variety of backgrounds and skills on each team but would specifically recommend at least one team member to have strong financial modeling experience. Once you create your group, please register your team on the Canvas site **by September 12**. You can use the discussion board on the Canvas site to find group members. **If a student does not self-register by the deadline, s/he will be randomly assigned to a group the next day.**

### **COURSE GRADING**

Course performance is evaluated based on the following two elements:

- **Projects (70%)**

Each project must be submitted through Canvas. The first three projects are due at 3:30 pm on assigned dates, and the fourth project is due on November 22 (Wednesday), 11:59 pm. Please see 'Course Outline' for the due dates.

- **Project #1: Buyout Model Exercise (15%):** Evaluation will be based on the accuracy and completeness of the modeling exercise.
- **Project #2: Deal Structuring (15%):** Evaluation will be based on the soundness of the investment judgment shown, including the identification of appropriate theses

and risks, supporting evidence for conclusions drawn with respect to them, thoroughness of the analysis, and the reasonableness of the transaction structure.

- **Project #3: Investment Committee Deck** (20%): Evaluation will be based on the soundness of the investment judgment shown, including the identification of appropriate theses and risks, supporting evidence for conclusions drawn with respect to them, thoroughness of the analysis, and the reasonableness of the final purchase price proposed.
- **Project #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 robust reasoning of the VCP, the underlying assumptions used to create it, and the quality of the written and verbal communication at the company's "Board meeting."

- **Participation (30 %)<sup>1</sup>**

A student's participation score will be determined based on four factors:

- **In-Class Participation** (15%): Evaluation will be based on the substance of students' individual in-classroom engagement. If students are cold-called, they will be expected to be paying attention and have ready value-additive content.
- **Evaluation Scores** (5%): Students will anonymously evaluate their team members for each project submission. The student's teammates' evaluation of their efforts and participation in the survey will contribute to their participation score. Not completing the surveys on time will negatively impact the individual participation score of the student.
- **Class Surveys** (5%): We will circulate a survey following each guest speaker session. Not completing the surveys on time will negatively impact the participation score.
- **Reflection Paper** (5%): You are expected to submit your individual reflections on what you learned during this course and the insights you gained. It is expected to be between 2-5 pages and address the following elements: (1) Summarize and demonstrate understanding of the concepts taught in this course, (2) Summarize the insights gained, and (3) Describe how these insights will impact you/your behavior going forward. Please do not be evaluative (e.g., please avoid statements such as "I really loved the session when we talked about..." or "I found the discussion around xxx to be very confusing...") Simply emphasize your learning by structuring your reflections as "What I learned was ...." Grading will be based on the depth and quality of your reflections as reflected in the depth and quality of the learning and insights you share in this report. The report is due **December 12, 11:59 pm.**
- 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 course's interactive nature, **attendance is mandatory**. Each unexcused absence will negatively impact the student's final course grade.

Late submissions or submissions via email will not be accepted under any circumstances.

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<sup>1</sup> Due to the confidential component, participation scores will not be disclosed.

## **RE-GRADE REQUESTS**

If you feel that an item has been incorrectly graded, you may submit a re-grade request to the instructor, *not to the 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 project 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 submit a request for a group project, please copy (cc) your team members in your email and include your group number in your request.

## **CLASSROOM CITIZENSHIP**

- The use of all electronic devices is prohibited in class and will adversely affect class participation marks. Tablets or electronic devices that lay flat can be used for notetaking.
- Please arrive at the classroom on time. If you arrive at the classroom door five minutes after the class starts, you must wait until the break to enter the classroom.
- Please bring your nameplates to all sessions and keep the same seat arrangement throughout the semester.

Violating course policies, the Wharton Learning Agreement or any basic norm of classroom etiquette and professionalism can result in a lower grade.

## **CLASS FORMAT AND RECORDINGS**

- The class is conducted in person; however, we will use selective virtual-only classes to accommodate the scheduling of the guests.
- Lectures will not be recorded.
- Some sessions may be replaced by pre-recorded lecture material.

## **CODE OF ETHICS**

This class operates under the Wharton Honor Code. Students are expected to do their own work (or work within their group). They are not permitted to use materials from former students or prior years related 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 purpose of this class is a violation of the code of academic integrity. Students must start with an Excel spreadsheet that is most populated with raw data for all submitted assignments. 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://catalog.upenn.edu/pennbook/code-of-academic-integrity/>

## **COPYRIGHTED MATERIAL**

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this course.

You may not reproduce, distribute, or display (post/upload) lecture notes or recordings, or course materials in any other way — whether or not a fee is charged — without instructors' written consent. You also may not allow others to do so.

## TENTATIVE COURSE OUTLINE

Please note that this is a tentative outline, and there may be changes to it. In case of any changes, an advance notice will be given during class and/or Canvas. Please note that some **guest lectures may be held outside regular class time based on our guests' availability.**

Please see Assignments > Readings on Canvas for assigned readings before each class.

### **Session 1: August 29**

*Introduction & Organization*

### **Session 2: September 5**

*Deal Process*

### **Session 3: September 12**

*Commercial Due Diligence*

Guest Speaker: [Paul Alexander Diogo Maia](#) (Partner, McKinsey)

**Form groups by September 12, 11:59 pm**

### **Session 4: September 19**

*Accounting Due Diligence & Sale & Purchase Agreements*

Guest Speaker: [Shawn OHargan, P.C.](#) & [Ravi Agarwal, P.C.](#) (Corporate Partners, Kirkland & Ellis LLP)

### **Session 5: September 26**

*The acquisition and sale of Duck Creek*

Guest Speaker: [Jason Wright](#) (Partner, Chair of Impact Strategy, APAX)

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

### **Session 6: October 3**

*Debt Financing and Debt Markets*

Guest Speaker: [Lou Salvatore](#) (Sr. Managing Director & Co-Head of Blackstone Capital Partners Performing Credit team)

### **Session 7: October 10**

*Deal Structuring*

Guest Speaker: [Dan Zilberman](#) (Managing Director, Head of Special Situations, Warburg Pincus)

## Project #2 Due - Primerica

### **Session 8: October 17**

Debt Documents

Guest Speakers: [David Nemecek](#) (Partner, Kirkland & Ellis) & [Austin Glassman](#) (Partner, Kirkland & Ellis)

### **Session 9: October 24**

*The acquisition and sale of Transplace*

Guest speakers: [Jack Daly](#) (Partner, TPG) & [Frank McGuigan](#) (CEO, Transplace)

### **Session 10: October 31**

*Part I: What really happened?*

Guest Speaker: [Martin W. Sumner](#) (Managing Director, Carlyle)

## Project #3 Due - Prepare Investment Committee Deck for AxleTech

### **Session 11: November 7**

*The PE Operating Perspective*

Guest Speakers:

[Pericles Mazarakis](#) (Managing Partner, Trispan)

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

### **Session 12: November 14**

*Planning for Success*

Guest Speaker:

Pericles Mazarakis (Managing Partner, Trispan)

### **Session 13: November 28**

*Project #4 Presentations*

## Project #4 Due (November 22, 11:59 pm) – Operational Value Creation Plan

### **Session 14: December 5**

*The Future of Private Equity*

Guest Speaker: [David Mussafer](#) (Chairman & Managing Partner, Advent International)