MBA 705: Venture Capital and Private Finance
Spring 2015
Dr. Serdar Aldatmaz

Class Meetings: February 02, 2014 – April 11, 2015
Thursdays 6:30 pm – 10:05 pm in ARLFH 468 (Arlington)
Office: Enterprise Hall 238
Office Hours: Mondays 4:30 pm – 6:00 pm and by appointment
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Course Description

The private equity industry has been growing tremendously over the last two decades with the exception of the recent financial crisis from which it is still recovering. Indeed, while the total amount of private equity capital invested globally was only around $650 million in 1990 this number reached a maximum of $170 billion in 2007, and was approximately $150 billion as of the end of 2011. Despite the hit by the financial crisis, there is still much untapped potential for private equity investments, not only in the U.S. but around the world globally, making private equity a very interesting asset class.

Total Global Private Equity Capital Invested
The objective of this course is to familiarize students with the private equity industry by providing them with an introduction to the terminology and practices used in private equity transactions by the participants in the industry.

Over the next ten weeks we will be focusing on private equity transactions involving enterprises at different stages of development whose financing needs are answered by private equity companies with different investment focuses. As this is a finance course, our main focus is going to be the application of common financial valuation models to venture capital and private equity transactions and recognizing how financing and valuation change for a firm over its life-cycle.

The class structure is quite different from MBA 643 where most class meetings are in lecture format. This course is organized as a case course; hence class meetings will consist of case discussions. I will not be lecturing, so each class member is expected to be well prepared for each session and to actively participate in class discussions. Your participation is vital to making this class a fun learning experience for all of us.

Course Material

Harvard Business School Publishing cases are the main material for the course. I have created a course pack which can be purchased from HBS publishing directly at:

https://cb.hbsp.harvard.edu/cbmp/access/32921300

In addition to the cases, I have also included a couple of HBS Publishing notes on specific issues, mainly on valuation in different private equity settings, in the abovementioned course pack.

There is no required textbook for the course. If you want, I recommend “Metrick and Yasuda, Venture Capital and the Finance of Innovation” as a reference textbook. Additionally, I believe that you would greatly benefit from regular reading of the Wall Street Journal, the Economist, Business Week, Fortune, Forbes, Barron’s etc.

Program-Level Learning Goal

Analytical Decision Making: Demonstrate the ability to analyze uncertain complex management situations using appropriate tools, techniques and information systems for decision-making.

Grading

Your final course grade will be determined as follows:

- Class Participation in Case Discussions 25%
- Case Analysis Presentation/Discussion 25%
- First Case Analysis Report 25%
- Second Case Analysis Report 25%
You will form groups of 4-5 and work on all case assignments with the same group and submit two written case reports. Presenting a case analysis and leading a discussion on it is a great and effective way of mastering the concepts presented in a case. Hence, each group will also be required to do a presentation/lead a discussion on one of the two case analyses they work on. Every group member has to be present on the day of their group presentation/discussion. If you miss the class on your group’s presentation/discussion date, you will receive zero credit. Please note that the other students are also expected to participate in the case discussion when one group presents/discusses their case analysis.

All case assignment reports must be submitted at the beginning of class on the dates specified. Late submissions will not be accepted. Group case analyses must be original work – see below for academic integrity statement. No credit will be given for unoriginal or copied work and necessary action will be taken based on the honor code. There will also be peer evaluation forms for rating case group members. These ratings will guide me when assigning final case grades.

Lastly, I will not take attendance; however, your attendance and participation is vital since this is a case based course. You should actively participate in class discussions if you want to get a good grade for this class and learn as much as possible.

**Academic Integrity**

Students are expected to abide by the Honor Code adopted by George Mason University: [http://oai.gmu.edu/understanding-the-honor-code/](http://oai.gmu.edu/understanding-the-honor-code/). All violations of the Honor Code will be penalized in accordance with University guidelines.

**Office of Disability Services Statement**

If you are a student with a disability and you need academic accommodations, please see me and contact the Office of Disability Services (ODS) at 703-993-2474. All academic accommodations must be arranged through the ODS and I have to be notified in advance.
# Tentative Course Outline

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<tr>
<th>Date</th>
<th>Topic</th>
<th>Cases/Notes</th>
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| Week 1 (02/05) | ➢ Introduction to Course  
               ➢ A General Look at Private Equity Investments |                                                                             |
| Week 2 (02/12) | ➢ Organization of Private Equity Firms  
               ➢ Valuation Methods in Private Equity Settings | • Greylock Partners  
               • Yale University Investments Office: February 2011  
               • *A Note on Valuation in Private Equity* |
| Week 3 (02/19) | ➢ VC Funding Pitch  
               ➢ Historical Performance of Venture Capital Funds | • Zipcar: Refining the Business Model  
               • *Risk and Reward in Venture Capital* |
| Week 4 (02/26) | ➢ Venture Capital Term Sheet Valuation | • *A Note on Valuation of Venture Capital Deals*  
               • SpiffyTerm, Inc.: January 2000 |
| Week 5 (03/05) |                                                                             | *Guest Speaker*
               Bronwyn Bailey  
               Vice President of Research, Private Equity Growth Capital Council |
| Week 6 (03/12) | ➢ Cash Flow to Equity Valuation  
               ➢ Subscriber Model Valuation | • NetFlix.com, Inc.*  
               • Growing Up in China: The Financing of BabyCare Ltd. |
| Week 7 (03/19) |  | • Valuation of Late-Stage Companies and Buyouts  
• Elephant Bar Restaurant: Mezzanine Financing  
• BCI Growth III: May 1993* |
|----------------|----------------|--------------------------------------------------------------------------------------------------|
| Week 8 (03/26) | Mezzanine Financing  
Growth Capital  
Rollup Deals  
Leveraged Buyouts | • AtHomeCare, Inc.: Health Care Services Rollup*  
• Hertz Corporation (A) |
| Week 9 (04/02) | Leveraged Buyouts | • Hertz Corporation (B)  
• Berkshire Partners: Bidding for Carter’s* |
| Week 10 (04/09) | Review and Class Wrap-Up | • The Carlyle Group: IPO of a Publicly Traded Private Equity Firm |