

VENTURE CAPITAL AND GROWTH

IFSA Tel Aviv

US semester credit hours: 3

Contact Hours: 45

Course Code: EI387-03 / IB387-03

Course Length: Semester

Delivery Method: Face to face

Language of Instruction: English

Suggested Cross-listings: Entrepreneurship & Innovation, International Business

COURSE DESCRIPTION

Startup firms and young growth companies depend on funding to grow. Many of these businesses obtain initial funding from company founders. Other funding options include monetary gift from friends and family as well as crowd funding. Profitable startup firms may be able to obtain credit facilities from banks and other traditional lending institutions. In the last decade, private equity (which stretches from Venture Capital to Leverage Buyout, or LBO) has become a major source of funding for new ventures. Venture Capital (VC), a form of private equity have become a popular funding option for startups and young companies. VC refers to investments made in an early-or growth stage company. Venture capital firms establish a venture fund with capital from institutions and high net worth individuals. They invest in smaller, high growth firms by providing seed money in exchange for an equity stake in the firm. The VC firms expect the startup firms to become viable and profitable in the future.

The purpose of this course is to provide students with the tools for managing a venture capital firm including fundraising and sourcing, investing and managing portfolio firms. It also provides useful material for investors who want to understand Venture Capital as an asset class. At the end of the course, students are expected to understand the nature of private equity markets (VCs and LBOs), the major players in the markets and their activities, and the financial strategies these players employ. Students will:

- 1) learn about the institution and processes of venture capital and private equity
- 2) understand the economics and risk of venture capital and private equity investment.

The topics covered include: how private equity and VC funds are raised, structured and financed; contracting in private equity markets; financing investments; valuation of business interest; exit strategies, and globalization of VC firms. Examples and issues from Israel will inform class discussions whenever possible.

STUDENT LEARNING OBJECTIVES

Students who successfully complete this course will:

- Describe the terminology, concepts and theories used in the investment process

COURSE SYLLABUS

- Become familiar with the due diligence and analytical techniques used to make investments
- Understand the terms and structures of the securities through which investments are made
- Create valuation and projection models
- Work in teams to analyze and present investment opportunities and challenges
- Strengthen independent and collaborative working skills
- Present strategic concepts and financial data to audience
- Become familiar with resources available for further research on venture capital and private equity
- Make cognitive connections between learning in this course and other learning experiences in IFSA Tel Aviv

COURSE DELIVERY

This course meets twice weekly for 15 weeks, for a total of 45 contact hours.

Much of this class is experiential in that students will not only learn the concepts and frameworks, but they will also put them into action by analyzing business cases. Thus, prior to each class, students are expected to have read the assigned material, met with their teammates, and conducted relevant research and exercises so that they can make quality intellectual contribution in class. In most meetings, the instructor will provide an overview of the topic and then facilitate a group discussion, drawing out relevant themes, following up on specific lines of inquiry, and prompting students' thoughtful engagement with the topic. Students are to work on their case analysis and reports with their teammates prior to class. During class time, the instructor can help facilitate discussions and guide them through challenges the groups might encounter. Active participation is required.

Students are encouraged to bring their prior learning experiences into class discussions (based on experiential learning theory) and to make cognitive connections between this course and others whenever possible (based on the philosophy of integrative learning).

COURSE OUTLINE

Below are the chapter readings:

Meeting	Date	Topic	Activity & Work Due
1		Lecture 1: Course Introduction and overview of syllabus	Review of course syllabus, due dates, and expectations. Build community. Discussion: Tel Aviv as an international site for entrepreneurship and innovation.

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2		Lecture 2: Introduction to Venture Capital and Leverage Buyouts	1) Read Chap. 1 in <i>Venture Capital, Private Equity, and the Financing of Entrepreneurship</i> (VCPEFE)
3		Lecture 3: Private Equity Cycle: Fund- Raising and Fund Choosing	1) Read Chap. 2 in VCPEFE
4		Lecture 3 : continued	1) Read Chap. 2 in VCPEFE 2) Discuss end of chapter questions
5		Case Study 1	1) Submit Case 1 Analysis and report prior to class 2) Teams discuss Case 1 in class: Yale University Investments Office: February 2011 (investing in private equity) https://www.hbs.edu/faculty/Pages/item.aspx?num=41008
6		Lecture 4: Deal Creation	1) Read Chap. 3 in VCPEFE
7		Case Study 2	1) Submit Case 2 Analysis and report prior to class 2) Teams discuss Case 2 in class: Acme Investment Trust: January 2001 (analyzing an investment in a private equity fund) https://hbsp.harvard.edu/product/202055-PDF-ENG
8		Lecture 4: Deal Creation (continued)	1) Read Chap. 3 in VCPEFE 2) Discuss end of chapter questions
9		Case Study 3	1) Submit Case 3 Analysis and report prior to class 2) Teams discuss Case 3 in class: Oregon Public Employees Retirement Fund: Push and Pull Over GP/LP Compensation https://hbr.org/product/oregon-public-employees-retirement-fund-push-and-pull-over-gp-lp-compensation/UV5622-PDF-ENG
10		Lecture 5: Deal Valuation	1) Read Chap. 4 in VCPEFE
11		Lecture 5: Deal Valuation (continued)	1) Read Chap. 4 in VCPEFE
12		Lecture 5: Deal Valuation (continued)	1) Read Chap. 4 in VCPEFE 2) Discuss end of chapter questions

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13		Case Study 4	<p>1) Submit Case 4 Analysis and report prior to class</p> <p>2) Teams discuss Case 4 in class: Bidding for Hertz: Leveraged Buyout (LBO valuation) https://www.hbs.edu/faculty/Pages/item.aspx?num=35057</p>
14		Midterm	
15		Lecture 6: Deal Structuring	1) Read Chap. 5 in VCPEFE
16		Lecture 6: Deal Structuring (continued)	1) Read Chap. 5 in VCPEFE
17		Lecture 6: Deal Structuring (continued)	<p>1) Read Chap. 5 in VCPEFE</p> <p>2) Discuss end of chapter questions</p>
18		Case Study 5	<p>1) Submit Case 5 Analysis and report prior to class</p> <p>2) Teams discuss Case 5 in class: HCA, Inc., (LBO Process) https://www.hbs.edu/faculty/Pages/item.aspx?num=43714</p>
19		Case Study 6	<p>1) Submit Case 6 Analysis and report prior to class</p> <p>2) Teams discuss Case 6 in class: Term Sheet Negotiations for Trendsetter, Inc. (Interactions with owners/managers) https://www.hbs.edu/faculty/Pages/item.aspx?num=27807</p> <p>Evaluating Venture Capital Term Sheet https://hbsp.harvard.edu/product/E460-PDF-ENG?itemFindingMethod=Search</p>
20		Lecture 7: Management after the Money Arrives	1) Read Chap. 6 in VCPEFE
21		Lecture 7: Management after the Money Arrives (continued)	<p>1) Read Chap. 6 in VCPEFE</p> <p>2) Discuss end of chapter questions</p>
22		Case Study 7	<p>1) Submit Case 7 Analysis and report prior to class</p> <p>2) Teams discuss Case 7 in class: Between a Rock and a Hard Place: Valuation and Distribution in Private Equity https://www.hbs.edu/faculty/Pages/item.aspx?num=29674</p>

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23		Case Study 8	1) Submit Case 8 Analysis and report prior to class 2) Teams discuss Case 8 in class: O.M. Scott & Sons Co. Leveraged Buyout (Incentive mechanisms) https://www.hbs.edu/faculty/Pages/item.aspx?num=3588
24		Lecture 8: Exit Strategies	1) Read Chap. 7 in VCPEFE
25		Lecture 8: Exit Strategies (continued)	1) Read Chap. 7 in VCPEFE 2) Discuss end of chapter questions
26		Case Study 9	1) Submit Case 9 Analysis and report prior to class 2) Teams discuss Case 9 in class: HCA, Inc. LBO Exit (Exit Strategies) https://www.hbs.edu/faculty/Pages/item.aspx?num=43714
27		Lecture 9: Globalization of Venture Capital and Private Equity	1) Read Chap. 8 in VCPEFE
28		Lecture 9: Globalization of Venture Capital and Private Equity (continued)	1) Read Chap. 8 in VCPEFE 2) Discuss end of chapter questions 3) Read and discuss Israel Venture Capitalist Investment Report: https://cdn2.hubspot.net/hubfs/878449/IVC-ZAG%20Full%20Survey%20Q3-17-final.pdf (Last Accessed: June 14, 2018)
29		Review Material	1) Review Chap. 1 through Chap 8 in VCPEFE 2) Review all case studies
30		Final Exam Due	

RESOURCES

Required Material

1) *Venture Capital, Private Equity, and the Financing of Entrepreneurship*, 2012, Lerner, Leamon, Hardyman, Wiley

2) Case Study Material

The course instructor will provide additional articles regarding venture capital and growth in the context of Israel to augment course content and discussions.

Optional Material

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- 1) Levin, Structuring Venture Capital, Aspen Publishers, 2009.
- 2) Bartlett, Fundamentals of Venture Capital, Madison Books, 1999.

EVALUATION METHODS

The course instructor will provide specific requirements and grading rubrics for individual assignments for the course. Your final grade in the course will be comprised of the following course requirements:

Item	Weight
Class Participation	20%
Case Report	20%
Midterm	25%
Final Exam	30%
Peer Evaluation	5%
TOTAL	100%

Class participation:

Class participation will account for 20% of the final grade. Participation will be determined by assessing students' intellectual contribution to class discussions and feedback to other students regarding their case presentations. Intellectual contribution consists of a combination of thoughtful comments, questions, critical inquiry, and respect for differences of opinion. Participation is qualitative and subjective based on the instructor's expertise and judgement.

Case Analysis & Report:

Case Analysis and Report will account for 20% of the final grade in the course. The goal of the case assignment is to expose students to more challenging and complex analyses beyond text book problems. Students are encouraged to carefully analyze the case by:

- (a) browsing the assigned study questions;
- (b) reading the case thoroughly and taking particular note of all relevant information;
- (c) conducting detailed analyses and
- (d) developing a proposed action plan and alternative strategies.

Case reports assignment can be completed in groups of 4 students. Each group is responsible for completing short summaries for all assigned cases during the course of the semester. Case study analysis and reports are due at the beginning of class.

Midterm Exam:

The midterm exam will account for 25% of the final grade in the course. The midterm exam will consist of a written case analysis based on material covered up to the 13th class meeting. Students are to work on the midterm exam independently. Collaboration or discussion with other students is not allowed.

Final Exam:

The final exam will account for 30% of the final grade in the course. The final assignment will consist of a written case analysis based on material covered in the course during the semester. Students are to work on the final exam independently. Collaboration or discussion with other

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students is not allowed. The final exam will be handed to students one week in advance and will be due on the last day of class. Additional details will be provided by the instructor.

Peer Evaluation:

Peer evaluation will account for 5% of the final grade. Each team member will be asked to evaluate the contribution of other team members by awarding points across the group.

Timely Submissions

Assignments submitted after the deadline will be accepted at the discretion of the course instructor and generally only in the event of a documented illness or emergency.

ACADEMIC INTEGRITY

Any academic endeavor must be based upon a foundation of honesty and integrity. Students are expected to abide by principles of academic integrity and must be willing to bear individual responsibility for their work while studying abroad. Any academic work (written or otherwise) submitted to fulfill an academic requirement must represent a student's original work. Any act of academic misconduct, such as cheating, fabrication, forgery, plagiarism, or facilitating academic dishonesty, will subject a student to disciplinary action.

IFSA takes academic integrity very seriously. Students must not accept outside assistance without permission from the instructor. Additionally, students must document all sources according to the instructions of the professor. Should your instructor suspect you of plagiarism, cheating, or other forms of academic dishonesty, you may receive a failing grade for the course and disciplinary action may result. The incident will be reported to the IFSA resident director as well as your home institution.

Institute for Study Abroad
6201 Corporate Dr., Suite 200 | Indianapolis, IN 46278
800-858-0229 | www.ifsa-butler.org