LOND FI373 VENTURE CAPTIAL AND ENTREPRENEURIAL FINANCE
IES Abroad London

DESCRIPTION:

Venture capital investments is a globally popular alternative investments asset class for investors with a higher risk appetite. It is also known for offering investment diversification in multi-assets portfolios for investors and entrepreneurs alike. Over the last thirty plus years, Venture Capital and Private Equity investments financing have grown significantly (more than 500 tech companies crossed $1 billion milestone) and now they are considered a major contributor to the region's economic growth.

This module will equip you with fundamental knowledge across Venture Capital (VC) and Private Equity (PE) investments and enable you to gather knowledge to embark on a career in the sector (*aka* Alternative Investments). This course gives VC and PE perspective of investors and investees, and it will equip you with understanding the facets of the venture capital and private equity industry, its key players, and how investment decisions are taken and monitored in a complex, fast-paced environment. You'll learn about different financing markets, instruments, and institutions; examine strategies, valuation methods and analysis techniques. You'll be guided through VC/PE investment cycles, and the life cycle of their funds.

The course is ideal for students who are keen to gain fundamental knowledge around VC and PE fund management, to learn about entrepreneurship and start-ups, and want to understand the process to secure funding for start-up business ideas using different financing options available to get new ventures started. The in-class activities around real-word cases and the usage of techniques coming from major players belonging to private equity world will further enhance the knowledge with the best practices observable in the market.

CREDITS: 3 credits

CONTACT HOURS: 45 hours

LANGUAGE OF INSTRUCTION: English

PREREQUISITES: N/A

ADDITIONAL COST: N/A

METHOD OF PRESENTATION:
The course is presented in a seminar format and involves a combination of lectures, class discussions and student presentations. Students will work on a case study. The background research and evaluation of data in the context of the underlying theory will enable the students to develop a better understanding of the selected topic.

REQUIRED WORK AND FORM OF ASSESSMENT:
- Course Participation – 10%
- Midterm Exam – 30%
- Final Exam – 40%
- Class Presentation – 20%

Course Participation
Class participation is another key component of the course. Students' contributions should reflect their reading and thinking about the relevant topical issues. The style of the discussion will be informal and participative.

Midterm Exam
The mid-term exam will be closed book. It will be taken in-class and may consist of questions in short answer or short essay format.

Final Exam

The final-term exam will be closed book. It will be taken in-class and may consist of questions in short answer or short essay format.

Class Presentation

Students will work in groups of two or three (depending on class size) on their class presentations. Each group should identify one theoretical topic from the course outline and conduct research to gather data on a recent (or historic) event in venture capital or private equity finance. Useful sources for the research will include quality newspapers (e.g., Financial Times, Economist, New York Times, Wall Street Journal, etc.) in addition to relevant books/journal articles. The objective of this coursework is to evaluate the data and to analyze and discuss the case study in the context of the underlying theoretical discussion. Teams will be graded based on their analysis of the event using research, team discussions and readings. Team project presentations will have a 20-minute time limit and written reports a 10-max page length.

LEARNING OUTCOMES:

By the end of the course, students will be able to:

- Understand the role of VC and PE firms in the overall economy and how the private equity industry works, its ecosystem and processes.
- Understand the perspectives of the founder/entrepreneur seeking VC or PE investment backing.
- Explain the key issues of assessing, valuing, negotiating, monitoring, and exiting VC and PE investments.
- Apply and interpret the investments in VC and PE valuation approaches (including limitations of each).
- Acquire familiarity with the full spectrum of VC and PE investments, from venture to management and leveraged buy-outs, including risk and return considerations in each.
- Apply VC and PE investment considerations to 'real world' situations.

ATTENDANCE POLICY:

Regular class attendance is mandatory. Irregular attendance may result in a lower grade in the course, and/or disciplinary action. The IES Abroad London class attendance policy does not allow for unexcused absences, and grades will be docked one-half letter grade for each such absence. Rare exceptions will be made for the following reasons:

- The student is too sick to attend class. In this instance, the student must call the IES Abroad Centre before class to notify any of the IES Abroad staff. It is not sufficient either to email, send a message with a friend or call the Centre after the class has started.
- A serious illness or death in the immediate family requiring a student to travel home. This requires written approval from the Centre Director before departure.

Arriving more than 10 minutes late to class may count as an unexcused absence. Immigration laws in the UK are extremely strict, and we jeopardize our legal status in hosting students who do not regularly attend class. Students who do not attend class regularly will be reported to the appropriate officials and risk dismissal from the program and deportation from the UK. If a student incurs absences representing 25% of the total class hours, they will be issued with an Attendance Warning. Any absences after a warning has been issued, will result in unauthorised absences and student will need to provide evidence to authorize any absences. If student continues to be frequently absent, they will be invited to disciplinary meeting with Associate Director & Dean of Faculty.

CONTENT:

Week	Content	Assignments
Week 1	**Part I: General Framework** **Fundamentals of private equity and venture capital** • Introduction, definitions, and participants, history, and evolution of the sector. • Understanding providers of capital, and capital formation strategies.	• Teaching Notes from instructor • Private Equity and Venture Capital in Europe (Ch.1, p.3-16) • Raising Capital (Ch.1) • Private Equity and Venture Capital: Theory, Evolution and Valuation (Ch.1) • In-class activities.
Week 2	**Overview of trends and business mechanics** • Understand different participants and their contribution in the industry across regions. • Understanding the Sources of Capital: Debt and Equity Finance. • Looking into the management structure and recent trends in the PE-VC businesses.	• Teaching Notes from instructor • Private Equity and Venture Capital in Europe (Ch.2, p.17-32) • Raising Capital (Ch. 1: p.1-7, p.12, p.15) • In-class activities.
Week 3	**Understanding legal structures, business plans, financing theories, and invesment clusters.** • Understanding early-stage VC business. • Entrepreneurship and business plans. • Theory of financing, and VCs and PEs. • Identify features in the cluster of PE and VC investments.	• Teaching Notes from instructor. • Raising Capital (Ch.2, p.25 - p.36; and Ch.3). • Private Equity and Venture Capital in Europe (Ch.3 – Ch.4, and Ch.5). • In-class activities.
Week 4	**Legal and Fiscal framework in Europe, the USA, and the UK for equity investors.** • Legal and taxation features in VC /PE funds. • Introduction to Taxation framework.	• Teaching Notes from Instructor • Private Equity and Venture Capital in Europe (Ch.10 – Ch.12, and Ch.14) • In-class activities.
Week 5	**Part II: The Invesment and Management Process in Private Equity and Venture Capital Investing.** • Investing across stages of a business. • The venture capital industry. • Investing in mature companies: expansion, replacement, and vulture financing.	• Teaching Notes from Instructor • Private Equity and Venture Capital in Europe (Ch.6 – Ch.9) • Raising Capital (Ch.4, and Ch.9) • In-class activities.

Week	Content	Assignments
Week 6	**Managerial processes: Fundraising, and Investing.** • Structed processes, phases of investment management. • Understanding and handling areas of operations in VCs and PEs.	• Teaching Notes from instructor • Private Equity and Venture Capital in Europe (Ch.15 – Ch.17) • Raising Capital (Ch.3, and Ch.9 p.182-194) • In-class activities.
Week 7	**Managerial processes: Managing and monitoring, Exiting.** • Performance measurement and oversight. • Planning and executing investment exits.	• Teaching Notes from instructor • Private Equity and Venture Capital in Europe (Ch.18 – Ch.20) • Raising Capital (Ch.11- Ch.14) • In-class activities.
Week 8	**Part III: Valuation** **Fundamentals and techniques.** • Introduction to company valuation. • Factors to consider in valuation. • Phases in valuation. • Basic concepts of business valuation.	• Teaching Notes from instructor • Private Equity and Venture Capital in Europe (Ch. 21, Ch.22) • Private Equity and Venture Capital: Theory, Evolution and Valuation (Ch.4) • In-class activities.
Week 9	**Equity valuation methodology and techniques** • Financial ratios (Comparable performance). • Discounted cash-flow approach • Private equity method. • Venture capital method.	• Teaching Notes from instructor • Private Equity and Venture Capital in Europe (Ch.22) • Raising Capital (Ch.14, p.313) • In-class activities.
Week 10	**Private equity industry evolutions** • The remuneration system for VC/PE Funds Managers. • Performance tracking metrics. • Incubators, Accelerators, and crowdfunding. • Club deals, Family offices, SPAC.	• Teaching Notes from instructor • Private Equity and Venture Capital in Europe (Ch.13, and Ch.23) • Private Equity and Venture Capital: Theory, Evolution, and Valuation (Ch.2) • Raising Capital (Ch. 15) • In-class activities.
Week 11	**Investments through Joint Venuters, Mergers & Acquisitions, and Initial Public Offering** • ESG and sustainability initiatives in the industry. • Joint ventures, co-branding. • Acquisition plan – analyze targets, due diligence, structuring the deal. • IPO process – advantages and disadvantages.	• Teaching Notes from instructor • Private Equity and Venture Capital in Europe (Ch. 19, p.304; Ch:20, p.317-323) • Raising Capital (Ch.13 and Ch.14, p.303-319) • In-class activities.

Week	Content	Assignments
Week 12	**Class Presentations** • Group presentations on selected topics.	• Assignment(s) and/or Reading(s)

REQUIRED READINGS:

- Lecture notes prepared by the instructor.
- Reading lists added to Moodle.

RECOMMENDED READINGS:

- Private Equity and Venture Capital in Europe – Market, Techniques, and Deals, 3rd Edition, by Stefani Caselli and Giulia Negri.
- Raising Capital: Get Money You Need to Grow Your Business, Hardcover – April 18, 2012, by Andrew J Sherman.
- Private Equity and Venture Capital - Theory, Evolution and Valuation, by Serena Gallo and Vincenzo Verdoliva.