FI373 VENTURE CAPTIAL AND ENTREPRENEURIAL FINANCE
IES Abroad Madrid

DESCRIPTION:
Venture capital investments is a popular asset class among risk-taking investors worldwide. It has been known for offering investment diversification in multi-assets portfolios for investors and entrepreneurs alike. Over the last thirty-five years, Venture Capital financing has grown significantly (more than 500 European tech companies crossed $1 billion milestone) and now the is 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 embark on a career in this sector, aka the Alternative Investments space. This course gives the 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

INSTRUCTOR: Instructor Name

PREREQUISITES: A course in Accounting and/or Finance, or with prior permission from the instructor

ADDITIONAL COST: None

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 Element
- **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 buyouts, including risk and return considerations in each.
- Apply VC and PE investment considerations to ‘real world’ situations.

ATTENDANCE POLICY:
As a member of our class community, you are expected to be present and on time every day. Attending class has an impact on your learning and academic success. For this reason, attendance is mandatory for all IES Madrid classes, including course-related excursions. Absences will only be excused in cases of documented medical or family emergencies. You are allowed a maximum of one unexcused absence for once-a-week courses and two unexcused absences for twice-a-week courses. Each additional unexcused absence will result in a deduction of 3 percentage points from your final grade and/or disciplinary action. Accumulating 7 or more unexcused absences in twice-a-week courses, or 4 or more in once-a-week courses, may result in a failing grade for the course.

Late or missed submission of assessed work: any assessed work, including exams, tests, and presentations, will be rescheduled only if the absence is justified; otherwise, it will be graded as zero.

Punctuality is critical: three instances of being over 10 minutes late will be counted as one absence and being more than 15 minutes late will also count as one absence.

On museum days, students must arrive exactly at the scheduled entrance time. If a student arrives late, they are responsible for entering the museum independently by presenting their student ID and passport to verify their identity as a student at the entrance and purchasing their own ticket. Once inside, they must consult the syllabus to identify their assigned class and locate their group. Students are expected to take responsibility for locating the class, this includes reviewing the syllabus, Moodle and class information, and considering having alternative means of contact. In such cases, the student will be marked as late. Failure to join their group after arriving late will be recorded as an absence.

For more information, please refer to the full Attendance and Punctuality Policy document.

CONTENT:

Choose an item	Content	Assignments
Week 1	**Title of the Lesson (if any)** ● Lesson Objective(s)	● Assignment(s) and/or Reading(s)
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)
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)
Week 3	**Understanding legal structures, business plans, financing theories, and investment 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).
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)
Week 5	**Part II: The Investment 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)
Week 6	**Managerial processes: Fundraising, and Investing.** ● Structured 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)

Choose an item	Content	Assignments
Week 7	**Managerial processes: Managing and monitoring, Exiting.** ● Performance measurement and oversight. ● Planning and executing exits.	● Teaching Notes from instructor ● Private Equity and Venture Capital in Europe (Ch.18 – Ch.20) ● Raising Capital (Ch.11- Ch.14)
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)
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)
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)
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.
Week 12	**Class Presentations** ● Group presentations on selected topics.	● Assignment(s) and/or Reading

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.

INSTRUCTOR BIOGRAPHY:

Brief biography of the faculty.