



FI 373 VENTURE CAPITAL AND ENTREPRENEURIAL FINANCE
IES Abroad Center Milan

DESCRIPTION:

The primary objective of this course is to provide an understanding of the concepts and institutions involved in entrepreneurial finance and private equity markets. To do this, the course explores private equity from a number of perspectives, beginning with the entrepreneur / issuer, moving to the private equity partnership, and finishing with investors in private equity partnerships. Students will learn the basics of finance, valuations, dilution and non-dilutive funding sources and will understand capital structure for new ventures, term sheets and how to negotiate them.

The course is ideal also for those students that consider themselves as “aspiring entrepreneurs” and that want to understand how to secure funding for their business ideas. They will receive a guide to secure funding using the many financing options available to get new ventures funded.

This can be considered a research-based course to provide students with a full understanding of how to implement winning investor pitches, who and when to pitch, how to avoid common mistakes that limit the effectiveness of the pitch, and how to ‘get to the close’.

The presentation of real-word case studies and the usage of techniques coming from major players belonging to private equity world will further enhance the link with the best practices observable in the market

CREDITS: 3

CONTACT HOURS: 45

LANGUAGE OF INSTRUCTION: English

PREREQUISITES: A course in Accounting and Economics, or prior permission from the instructor

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%
- Final Paper and 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 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 Paper and Class Presentation

Students will work in groups of two or three (depending on class size) on the final paper and 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 international finance or the global economy. Useful sources for the research will include quality newspapers (e.g., Financial Times, Economist, New York Times, 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 on the basis of the in-depth of 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:

Students will learn the ‘language’ of fund raising and how to successfully fund new ventures. Daily discussions will cover issues of private equity finance from seed stage through growth equity to recapitalization. Deal structure, incentive design, risk-based valuation, financial management in private, rapidly growing enterprises will be included. Exit strategies will be covered, including initial public offerings, mergers and strategic partnerships. Restructuring poorly performing projects will also be discussed. Importance is also given to issues related to the suppliers of capital, individual investors, venture capitalists, commercial banks, asset-based lenders and investment banks.

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

- Understand the role of private equity in the overall economy and how the private equity industry actually works, its ecosystem and processes
- Explain the key issues of assessing, valuing, negotiating, monitoring and exiting private equity investments.
- Apply and interpret the alternative private equity valuation approaches (including limitations of each).
- Acquire familiarity with the full spectrum of private equity investments, from venture to management and leveraged buy-outs, including risk and return considerations in each.
- Apply private equity investment considerations to ‘real world’ situations.

ATTENDANCE POLICY:

Regular class attendance is mandatory. Students are expected to attend classes each day. IES Abroad Milano allows a maximum of TWO excused absences per semester to be used for emergencies related to health, family, religion. Each further absence will automatically result in a penalty of a half point off (0.5/100) on the final grade. Please note that this rule does not apply to exams: failure to attend your midterm and/or final exam will automatically result in an F grade on that paper/exam. Furthermore, absence on the date of scheduled tests, presentations or quizzes does not entitle to recover/reschedule such tests. If using absences for travel, students must be aware that they may remain with no excusable absence in case of illness

CONTENT:

Week	Content	Assignments
Week 1 <i>Session 1</i>	PART I: GENERAL FRAMEWORK Capital Formation Strategies and Trends	<ul style="list-style-type: none"> • <i>Raising Capital</i> (Ch. 1, pg. 4-21) • <i>Private Equity and Venture Capital in Europe</i> (Ch. 1, pg. 3-12) • Slides from the instructor
<i>Session 2</i>	The fundamentals of private equity and venture capital	<ul style="list-style-type: none"> •

Week 2 <i>Session 1</i>	Overview of Historical Trends	<ul style="list-style-type: none"> • <i>Chapter 2- Private Equity: History, Governance, and Operations (p. 29-45)</i>
<i>Session 2</i>	The Role the Business Plan Plays	<ul style="list-style-type: none"> • Slides from the Instructor
Week 3 <i>Session 1</i>	Clusters of investment within private equity	<ul style="list-style-type: none"> • <i>Chapter 2- Private Equity and Venture Capital in Europe (p. 15-25)</i> • <i>Chapter 4- Private Equity and Venture Capital in Europe (p. 41-59)</i>
<i>Session 2</i>	Legal framework in Europe for equity investors	<ul style="list-style-type: none"> • Slides from the Instructor
Week 4 <i>Session 1</i>	Legal framework in the United States and the United Kingdom for equity investors	<ul style="list-style-type: none"> • <i>Chapter 5- Private Equity and Venture Capital in Europe (p. 65-78)</i> • <i>Chapter 7- Private Equity and Venture Capital in Europe (p. 105-113)</i>
<i>Session 2</i>	PART II: THE PROCESS AND THE MANAGEMENT TO INVEST The management of equity investment	<ul style="list-style-type: none"> • Slides from the Instructor
Week 5 <i>Session 1</i>	FundraisinG	<ul style="list-style-type: none"> • <i>Chapter 8- Private Equity and Venture Capital in Europe (p. 117-129)</i> • <i>Chapter 9- Private Equity and Venture Capital in Europe (p. 131-146)</i>
<i>Session 2</i>	Investing	<ul style="list-style-type: none"> • Slides from the Instructor • Project update I

Week 6 <i>Session 1</i>	Managing and monitoring	<ul style="list-style-type: none"> • <i>Chapter 10- Private Equity and Venture Capital in Europe (p. 147-150)</i> • <i>Chapter 11- Private Equity and Venture Capital in Europe (p. 159-165)</i>
<i>Session 2</i>	Exiting	<ul style="list-style-type: none"> • Slides from the Instructor
Week 7 <i>Session 1</i>	PART III: VALUATION AND THE “ART OF DEAL MAKING” Company valuation in private equity and venture capital	<ul style="list-style-type: none"> • <i>Chapter 12- Private Equity and Venture Capital in Europe (p. 175-185)</i> • <i>Chapter 13- Private Equity and Venture Capital in Europe (p. 187-198)</i>
<i>Session 2</i>	Techniques of equity value definition	<ul style="list-style-type: none"> • Slides from the Instructor
Week 8 <i>Session 1</i>	Financing seed and start-up	<ul style="list-style-type: none"> • Slides and Teaching Notes prepared by the Instructor
<i>Session 2</i>	Financing growth and Value Creation	<ul style="list-style-type: none"> • Project update II
Week 9 <i>Session 1</i>	Harvesting Investments Through Mergers and Acquisitions	<ul style="list-style-type: none"> • Slides and Teaching Notes prepared by the Instructor
<i>Session 2</i>	How Does a Venture Capital Work: The Italian Case, Pino Ventures*	<ul style="list-style-type: none"> • Business Case prepared by Elserino Piol and Sonia Deho

Week 10 <i>Session 1</i>	Preparing for an Initial Public Offering	<ul style="list-style-type: none"> Slides and Teaching Notes prepared by the Instructor
<i>Session 2</i>	Financing buy-out	
Week 11 <i>Session 1</i>	Turnaround and distressed financing	<ul style="list-style-type: none"> Slides and Teaching Notes prepared by the Instructor
<i>Session 2</i>	Class Presentation	

* Pino Venture Partners is an Italian company for operations in information technology, communication and media. Pino Venture Partners S.r.l. and its partners specialize in venture capital, strategic advisory services and private equity

The final exam will take place during Finals week.

COURSE-RELATED TRIPS:

- Finance

REQUIRED READINGS:

- Slides and Teaching Notes prepared by the Instructor

RECOMMENDED READINGS:

- Private Equity and Venture Capital in Europe*, 1st Edition Markets, Techniques, and Deals- 2009 by S. Caselli
- Financing Innovation in Italy: An Analysis of Venture Capital and Private Equity Investments*, Valerio Paolo Vacca, Bank of Italy, October 25, 2013, Bank of Italy Occasional Paper No. 209
- Private Equity: History, Governance, and Operations*, 2nd Edition, May 2012 by Harry Cendrowski, Louis W. Petro, James P. Martin, Adam A. Wadecki
- Raising Capital: Get the Money You Need to Grow Your Business Hardcover* – April 18, 2012 by Andrew J. Sherman
- Zero to One: Notes on Startups, or How to Build the Future*, 2014 by Peter Thiel