



# ECFS895

## Private Equity Investment

AFC Term 2 City 2019

*Department of Applied Finance*

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#### **Disclaimer**

Macquarie University has taken all reasonable measures to ensure the information in this publication is accurate and up-to-date. However, the information may change or become out-dated as a result of change in University policies, procedures or rules. The University reserves the right to make changes to any information in this publication without notice. Users of this publication are advised to check the website version of this publication [or the relevant faculty or department] before acting on any information in this publication.

## General Information

Unit convenor and teaching staff Cosmas Kapsanis <a href="mailto:cosmas.kapsanis@mq.edu.au">cosmas.kapsanis@mq.edu.au</a>
Credit points 2
Prerequisites (Admission to MAppFin or MAppFin(Adv) or GradDipAppFin) and ECFS866
Corequisites
Co-badged status
Unit description This unit uses the principles developed in ECFS866 in the context of private equity investing. The overall structure and dynamics of the industry are discussed and the key issues of assessing, valuing, contracting, monitoring and exiting private equity and venture capital investments are dealt with in detail. This unit covers the full spectrum of private equity investments, from venture (seed and start-up) to management and leveraged buy-outs (late stage).

## Important Academic Dates

Information about important academic dates including deadlines for withdrawing from units are available at <https://www.mq.edu.au/study/calendar-of-dates>

## Learning Outcomes

On successful completion of this unit, you will be able to:

Identify and explain the role of private equity in the economy including the processes and systems employed in contemporary private equity investing.

Explain the key issues of assessing, valuing, contracting, monitoring and exiting private equity investments.

Critically analyse alternative private equity valuation approaches.

Research and explain a range 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.

## General Assessment Information

To pass this unit the student needs to (1) Achieve an aggregate mark of 50 or more, and; (2) Pass the Final Exam.

## Assessment Tasks

Name	Weighting	Hurdle	Due
<u>Pre-unit Assignment</u>	10%	No	Prior to First Class
<u>Class Participation</u>	10%	No	Ongoing
<u>Individual Assignment</u>	30%	No	Refer to iLearn
<u>Final Exam</u>	50%	Yes	Refer to Timetable

### Pre-unit Assignment

Due: **Prior to First Class**

Weighting: **10%**

#### Summary of Assessment Task

**Individual / Group:** Individual.

**Due Date:** Prior to first class.

**Submission Method:** Via Turnitin on iLearn.

**Duration:** Refer to Assignment Coversheet.

#### Extension Requests:

- No extensions will be granted.
- There will be a deduction of 10% of the total available marks for each 24 hour period or part thereof. This penalty does not apply for cases in which an application for Special Consideration has been made and approved.
- No submission will be accepted after solutions have been discussed or posted by the lecturer. As this normally occurs on day 2 of classes, students need to be aware that submissions are rarely accepted beyond the first 24 hour late period.
- Note: Applications for Special Consideration must be made within 5 (five) business days of the due date and time.
- Refer to MAFC Program Rules at [www.maqc.mq.edu.au](http://www.maqc.mq.edu.au) for information on the University's Special Consideration Policy.

#### Other Information:

- The pre-unit assignment is due for submission via Turnitin in iLearn prior to the commencement of the first lecture.
- Assignment and reading materials needed to answer the questions are included in the unit notes.

On successful completion you will be able to:

- Explain the key issues of assessing, valuing, contracting, monitoring and exiting private equity investments.

## Class Participation

Due: **Ongoing**

Weighting: **10%**

### Summary of Assessment Task

**Individual / Group:** Individual / Group.

**Due Date:** Ongoing.

You will be assessed for both your individual contribution in class discussions generally, and for your contribution in the Session 4 Group Case where your team will be given a group score which assesses the preparation, presentation and Q & A.

**Submission Method:** In class.

### Extension Requests:

- Students who do not attend receive a mark of zero. This penalty does not apply in cases where an application for Special Consideration has been made and approved.
- Note: Applications for Special Consideration must be made within 5 (five) business days of the due date and time.
- Refer to MAFC Program Rules at [www.mafc.mq.edu.au](http://www.mafc.mq.edu.au) for information on the University's [Special Consideration Policy](#).

### Other Information:

- The class will be split into teams depending on the overall size of the class.
- Attendance at all sessions is required to enable participation in class discussion and in the group case-study activities.

On successful completion you will be able to:

- Identify and explain the role of private equity in the economy including the processes and systems employed in contemporary private equity investing.
- Explain the key issues of assessing, valuing, contracting, monitoring and exiting private

equity investments.

- Critically analyse alternative private equity valuation approaches.
- Research and explain a range 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.

## Individual Assignment

Due: **Refer to iLearn**

Weighting: **30%**

### Summary of Assessment Task

**Individual / Group:** Individual.

**Due Date:** Refer to the unit's iLearn site.

**Submission Method:** Online via Turnitin on unit's iLearn site.

**Duration:** Refer to Assignment Coversheet.

### Extension Requests:

- No extensions will be granted. There will be a deduction of 10% of the total available marks made from the total awarded mark for each 24 hour period or part thereof that the submission is late (for example, 25 hours late in submission incurs a 20% penalty). This penalty does not apply for cases in which an application for Special Consideration is made and approved.
- Late submissions will be accepted up to 96 hours after the due date and time.
- Note: Applications for Special Consideration must be made within 5 (five) business days of the due date and time.
- Refer to MAFC Program Rules at [www.mafc.mq.edu.au](http://www.mafc.mq.edu.au) for information on the University's [Special Consideration Policy](#).

**Other Information:** The individual assignment is based on a series of follow up questions which build on the pre-unit assignment and group case study.

On successful completion you will be able to:

- Identify and explain the role of private equity in the economy including the processes and systems employed in contemporary private equity investing.
- Explain the key issues of assessing, valuing, contracting, monitoring and exiting private equity investments.
- Critically analyse alternative private equity valuation approaches.
- Research and explain a range of private equity investments, from venture to

management and leveraged buy-outs, including risk and return considerations in each.

## Final Exam

Due: **Refer to Timetable**

Weighting: **50%**

**This is a hurdle assessment task (see [assessment policy](#) for more information on hurdle assessment tasks)**

### Summary of Assessment Task

**Individual / Group:** Individual.

**Due Date:** Refer to Timetable.

**Submission Method:** As per MAFC Program Rules at [www.mafc.mq.edu.au](http://www.mafc.mq.edu.au)

**Duration:** 2 hours plus 10 minutes reading time.

### Examination Conditions:

- The exam will be closed book.
- One A4 sheet of paper with formulas etc is permissible.
- Any questions about exam format will be answered during the last lecture.
- Exam times and locations are noted in the unit timetable at [www.mafc.mq.edu.au](http://www.mafc.mq.edu.au).
- Refer to MAFC Program Rules at [www.mafc.mq.edu.au](http://www.mafc.mq.edu.au).

### Extension Requests:

- You are expected to present yourself for examination at the time and place designated in the relevant MAFC Timetable at [www.mafc.mq.edu.au](http://www.mafc.mq.edu.au).
- Deferral of an examination is not permitted unless an application for Special Consideration is made and approved.
- Students who do not attend receive a mark of zero. This penalty does not apply in cases where an application for Special Consideration has been made and approved.
- Note: Applications for Special Consideration must be made within 5 (five) business days of the due date and time.
- Refer to MAFC Program Rules at [www.mafc.mq.edu.au](http://www.mafc.mq.edu.au) for information on the University's [Special Consideration Policy](#) or non-attendance at an examination.

On successful completion you will be able to:

- Identify and explain the role of private equity in the economy including the processes and systems employed in contemporary private equity investing.
- Explain the key issues of assessing, valuing, contracting, monitoring and exiting private equity investments.

- Critically analyse alternative private equity valuation approaches.
- Research and explain a range 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.

## Delivery and Resources

### CLASSES

**Face-to-Face Teaching:** Generally 20 hours.

**Timetable:** Detailed timetable for classes are on the Centre's website at [www.mafc.mq.edu.au](http://www.mafc.mq.edu.au)

**Consultation Times:** Students who wish to contact any of the teaching staff may do so through individual consultation with the lecturer by email.

### REQUIRED AND RECOMMENDED TEXTS AND/OR MATERIALS

**Text:** International Private Equity, Eli Talmor, Florin Vasvari, ISBN: 978-0-470-97170-3 (<http://au.wiley.com/WileyCDA/WileyTitle/productCd-0470971703.html>)

#### **Additional Readings:**

- Reading and case study materials will be supplied and available on iLearn.
- Students will be expected to be familiar with relevant material in the Corporate Finance text, *Corporate Finance* by Ross, Westerfield and Jaffe.
- Students should assume these readings are examinable unless otherwise advised.

**Lecture Notes:** Available in printed form and electronically via iLearn.

**Study Problems:** Students are required to work systematically through suggested problem sets. These problems will not be collected but they will help you prepare for the exams.

**Pre-unit Materials:** Information papers on statistics, regression, accounting and other material may be found at <http://mafcstudents.mq.edu.au/new-to-mafc/pre-course-materials/>. Students should work through this material prior to commencing the degree. The material will remain a useful reference as students progress through the program.

**Useful References:** Refer to "Assignments and Required Readings" section in this Unit Guide.

#### **Calculators:**

- A financial calculator that can handle time value of money calculations, logs and power functions is required.
- The Hewlett Packard calculator hp17bII+ is recommended.
- In examinations, hand held calculators are permitted. Mobile phones and computers are not permitted.

#### **Assumed Access:**

- Access to a computer with word processing and spreadsheet capability is assumed, as is general student computer literacy.

## **TECHNOLOGY USED AND REQUIRED**

### **Unit iLearn Site:**

- Found by logging on to iLearn [ilearn.mq.edu.au](https://ilearn.mq.edu.au), then clicking on **ECFS895 Private Equity Investment**.
- This is where you will find forums, downloadable resources and links to important pages.
- The forum allows you to communicate with other students and lecturer(s) and may provide supplementary material.
- You are requested to post your questions on the forums at least 24 hours prior to the assignment submission date or the examination date. Questions posted after that time may not be answered. **Please try to not leave your questions to the last few days.**

### **Important Notice:**

- It is important that you familiarise yourself with the unit's iLearn site.
- Students should check the unit's iLearn site regularly (minimum twice a week and prior to all lectures) and look for updates and distribution of materials (including case studies) related to the unit or assessments and, if relevant, participate in forum discussions.

## **Unit Schedule**

### **SESSION 1: INTRODUCTION (DAY 1)**

This session considers the role of private equity in the overall economy and how the private equity industry actually works, its ecosystem and overall processes. In this introduction, we mainly focus on private equity and venture capital as an asset class within the global, Asia Pacific and Australian markets.

### **SESSION 2: DEAL FLOW AND EVALUATION (DAY 2)**

During this session, we consider the way investment opportunities are evaluated by private equity investors.

### **SESSION 3: PE VALUATION AND CAPITAL STRUCTURE (DAY 3)**

We consider the difficult and critical issue of valuation in a private equity context. We investigate the challenges faced by those and describe the different valuation methods that professionals use and discuss the advantages and disadvantages of each of those methods.

### **SESSION 4: GROUP CASE: HOLLAND LBO (DAY 3)**

Case study set up, Group preparation & Discussion



## SESSION 5: VC VALUATION & DEAL NEGOTIATING (DAY 4)

We consider the additional difficulties in valuation of an early stage or VC deal and develop the range of valuation methods that can be applied. We then examine how PE firms invest in companies and the nature of the specific contract investment terms that can be used between the entrepreneurs and investor, with an emphasis on VC deals.

## SESSION 6: MANAGING & EXITING (DAY 4)

The PE governance model is discussed and tools are developed to manage the business and prepare it for exit. We will summarise the course and discuss the individual assignment and exam.

## Learning and Teaching Activities

### Strategy

The Master of Applied Finance degree adopts a deep teaching and learning strategy, in which students acquire and retain knowledge and also are able to make sense of the issues and concepts and apply them in the “real world”. The degree relies heavily on student engagement and participation by: (a) Continuous learning throughout the term. This is encouraged through a combination of students undertaking prescribed reading throughout the units and/or completion of practice problems, case studies, assignments, class presentations etc and interaction via forums in the unit’s iLearn site; and (b) Assessments, which enable the student to demonstrate his/her understanding of the learning objectives achieved through the continuous learning.

### Student Participation

Students participate in this unit by: (a) Attending lectures and participating in class discussion; (b) Before each class, completing the recommended readings of notes and text, and working systematically through suggested problem sets; (c) Interacting on the unit’s iLearn site; and (d) Completing all assessment tasks and exams. On average, the unit will require students to complete, for every hour of class time, approximately 3 hours private study.

## Policies and Procedures

Macquarie University policies and procedures are accessible from [Policy Central](https://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/policy-central) (<https://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/policy-central>). Students should be aware of the following policies in particular with regard to Learning and Teaching:

- [Academic Appeals Policy](#)
- [Academic Integrity Policy](#)
- [Academic Progression Policy](#)
- [Assessment Policy](#)
- [Fitness to Practice Procedure](#)
- [Grade Appeal Policy](#)

- [Complaint Management Procedure for Students and Members of the Public](#)
- [Special Consideration Policy](#) (**Note:** *The Special Consideration Policy is effective from 4 December 2017 and replaces the Disruption to Studies Policy.*)

Undergraduate students seeking more policy resources can visit the [Student Policy Gateway](https://students.mq.edu.au/support/study/student-policy-gateway) (<https://students.mq.edu.au/support/study/student-policy-gateway>). It is your one-stop-shop for the key policies you need to know about throughout your undergraduate student journey.

If you would like to see all the policies relevant to Learning and Teaching visit [Policy Central](http://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/policy-central) (<http://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/policy-central>).

## Student Code of Conduct

Macquarie University students have a responsibility to be familiar with the Student Code of Conduct: <https://students.mq.edu.au/study/getting-started/student-conduct>

## Results

Results published on platform other than [eStudent](#), (eg. iLearn, Coursera etc.) or released directly by your Unit Convenor, are not confirmed as they are subject to final approval by the University. Once approved, final results will be sent to your student email address and will be made available in [eStudent](#). For more information visit [ask.mq.edu.au](http://ask.mq.edu.au) or if you are a Global MBA student contact [globalmba.support@mq.edu.au](mailto:globalmba.support@mq.edu.au)

Students should also consult the MAFC Program Rules found at <http://www.mafc.mq.edu.au>

## Student Support

Macquarie University provides a range of support services for students. For details, visit <http://students.mq.edu.au/support/>

## Learning Skills

Learning Skills ([mq.edu.au/learningskills](http://mq.edu.au/learningskills)) provides academic writing resources and study strategies to improve your marks and take control of your study.

- [Workshops](#)
- [StudyWise](#)
- [Academic Integrity Module for Students](#)
- [Ask a Learning Adviser](#)

## Student enquiry service (MAFC-specific)

For all student enquiries, please contact [studentsupport@mafc.mq.edu.au](mailto:studentsupport@mafc.mq.edu.au)

## Student Services and Support

Students with a disability are encouraged to contact the [Disability Service](#) who can provide

appropriate help with any issues that arise during their studies.

## Learning Skills

Learning Skills ([http://www.students.mq.edu.au/support/learning\\_skills/](http://www.students.mq.edu.au/support/learning_skills/)) provides academic writing resources and study strategies to improve your marks and take control of your study.

- Workshops
- StudyWise
- Academic Integrity Module for Students
- Ask a Learning Adviser

## Student Enquiries

For all student enquiries, visit Student Connect at [ask.mq.edu.au](http://ask.mq.edu.au)

If you are a Global MBA student contact [globalmba.support@mq.edu.au](mailto:globalmba.support@mq.edu.au)

## IT Help

For help with University computer systems and technology, visit [http://www.mq.edu.au/about\\_us/offices\\_and\\_units/information\\_technology/help/](http://www.mq.edu.au/about_us/offices_and_units/information_technology/help/).

When using the University's IT, you must adhere to the [Acceptable Use of IT Resources Policy](#). The policy applies to all who connect to the MQ network including students.

## Graduate Capabilities

### PG - Capable of Professional and Personal Judgment and Initiative

Our postgraduates will demonstrate a high standard of discernment and common sense in their professional and personal judgment. They will have the ability to make informed choices and decisions that reflect both the nature of their professional work and their personal perspectives.

This graduate capability is supported by:

### Learning outcomes

- Identify and explain the role of private equity in the economy including the processes and systems employed in contemporary private equity investing.
- Explain the key issues of assessing, valuing, contracting, monitoring and exiting private equity investments.
- Critically analyse alternative private equity valuation approaches.
- Research and explain a range 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.

## Assessment tasks

- Pre-unit Assignment
- Class Participation
- Individual Assignment
- Final Exam

## PG - Critical, Analytical and Integrative Thinking

Our postgraduates will be capable of utilising and reflecting on prior knowledge and experience, of applying higher level critical thinking skills, and of integrating and synthesising learning and knowledge from a range of sources and environments. A characteristic of this form of thinking is the generation of new, professionally oriented knowledge through personal or group-based critique of practice and theory.

This graduate capability is supported by:

## Learning outcomes

- Identify and explain the role of private equity in the economy including the processes and systems employed in contemporary private equity investing.
- Explain the key issues of assessing, valuing, contracting, monitoring and exiting private equity investments.
- Critically analyse alternative private equity valuation approaches.
- Research and explain a range 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.

## Assessment tasks

- Pre-unit Assignment
- Class Participation
- Individual Assignment
- Final Exam

## PG - Research and Problem Solving Capability

Our postgraduates will be capable of systematic enquiry; able to use research skills to create new knowledge that can be applied to real world issues, or contribute to a field of study or practice to enhance society. They will be capable of creative questioning, problem finding and problem solving.

This graduate capability is supported by:

## Learning outcomes

- Identify and explain the role of private equity in the economy including the processes and systems employed in contemporary private equity investing.
- Explain the key issues of assessing, valuing, contracting, monitoring and exiting private equity investments.
- Critically analyse alternative private equity valuation approaches.
- Research and explain a range 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.

## Assessment tasks

- Pre-unit Assignment
- Class Participation
- Individual Assignment
- Final Exam

## Important Notice

This Unit Guide may be subject to change. Students will be advised, via an "Announcement" on iLearn, if the Unit Guide is changed.

The latest version is available at <https://unitguides.mq.edu.au/>.

Students should read the Unit Guide carefully at the start of term. It contains important information about the unit. If anything is unclear, please consult one of the unit lecturers.