



# AFCP8095

## Private Equity Investment

AFC term 1, Weekday attendance, Melbourne 2020

*Department of Applied Finance*

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## General Information

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Credit points

5

Prerequisites

ECFS866 or AFCP8003

Corequisites

Co-badged status

Unit description

This unit uses the principles developed in AFCP8003 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 examined. This unit covers a wide 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:

**ULO1:** Identify and explain the role of private equity in the economy including the processes and systems employed in contemporary private equity investing.

**ULO2:** Explain the key issues of assessing, valuing, contracting, monitoring and exiting private equity investments.

**ULO3:** Critically analyse alternative private equity valuation approaches.

**ULO4:** Research and explain a range of private equity investments, including risk and return considerations in each.

**ULO5:** Apply private equity investment considerations to 'real world' situations.

## Assessment Tasks

### Coronavirus (COVID-19) Update

Assessment details are no longer provided here as a result of changes due to the Coronavirus (COVID-19) pandemic.

Students should consult [iLearn](#) for revised unit information.

[Find out more about the Coronavirus \(COVID-19\) and potential impacts on staff and students](#)

## General Assessment Information

### Extension Requests Information

#### **Assignment 1 (10%)**

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 <https://mafcstudents.mq.edu.au/> for information on the University's [Special Consideration Policy](#).

#### **Participation (10%)**

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 <https://mafcstudents.mq.edu.au/> for information on the University's [Special Consideration Policy](#).

## **Assignment 2 (30%)**

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 <https://mafcstudents.mq.edu.au/> for information on the University's [Special Consideration Policy](#).

## **Final Exam (50%)**

You are expected to present yourself for examination at the time and place designated in the relevant MAFC Timetable at <https://www.mq.edu.au/about/about-the-university/faculties-and-departments/business/study-with-us/macquarie-applied-finance-centre/timetables>.

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 <https://mafcstudents.mq.edu.au/> for information on the University's [Special Consideration Policy](#).

# **Delivery and Resources**

### **Coronavirus (COVID-19) Update**

Any references to on-campus delivery below may no longer be relevant due to COVID-19.

Please check here for updated delivery information: [https://ask.mq.edu.au/account/pub/display/unit\\_status](https://ask.mq.edu.au/account/pub/display/unit_status)

**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 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](http://ilearn.mq.edu.au), then clicking on **AFCP8095 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.

### **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.

## **Unit Schedule**

#### **Coronavirus (COVID-19) Update**

The unit schedule/topics and any references to on-campus delivery below may no longer be relevant due to COVID-19. Please consult [iLearn](#) for latest details, and check here for updated delivery information: [https://ask.mq.edu.au/account/pub/display/unit\\_status](https://ask.mq.edu.au/account/pub/display/unit_status)

### **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.

## 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.*)

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)

## 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 help you improve your marks and take control of your study.

- [Getting help with your assignment](#)
- [Workshops](#)
- [StudyWise](#)
- [Academic Integrity Module](#)

The Library provides online and face to face support to help you find and use relevant information resources.

- [Subject and Research Guides](#)
- [Ask a Librarian](#)

## 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.

## 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.