

# Syllabus

## Private Equity and Venture Capital (PE/VC)

(16<sup>th</sup> February, 2018)

- **Instructor:** Gábor Baranyai  
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Office:  
Office hours: by appointment
- **Credits:** 2 (4 ECTS) *(8\*150 minutes with 20 minutes break)*
- **Term:** Winter 2017-2018
- **Course level:** MA/MSc (Max 25 students)
- **Prerequisites:**

***Students can register this program ONLY, if they are either registered or already completed the Entrepreneurial Finance Course.***

Basic knowledge of microeconomics, corporate finance, financial and management accounting, business strategy and OB (cost-benefit analysis, time-value of money, NPV, understanding of balance sheet, income and cash flow statements, WACC, IRR, DSC) is required.

Students must have successfully completed Introduction to Finance, Foundations of Accounting and Business Strategy to be admitted into this class.

### Course description

One of the key issues for all entrepreneurs is, to secure adequate financing for their ventures. This course will provide a general background of external financing options and the related considerations (terms and conditions), with focus on equity financing.

The course is an interactive joint work to understand the structure and the operation of the Private Equity/Venture Capital (PE/VC) industry, using up-to-date case studies, situation games and joint discussions.

The course main objectives are:

- Understand the structure and the operation of the PE/VC industry.
- Prepare the students to accomplish successful PE/VC transactions. How an entrepreneur shall be prepared to work with PE/VC funds “from idea to exit”.
- Help the students to understand the duties and responsibilities of an investment manager, supporting future job applications in different PE/VC and/or certain corporate banking positions.

Questions will be elaborated, such as: How to define properly an external funding need and structure for an enterprise? How to approach the capital market? How to work with PE/VC funds and its representatives? Problems in management of corporate growth. Value building. Exit considerations.

The **practical oriented** course assumes active participation of the students in the classes. Joint discussions, thinking and reasoning are essential to achieve the objectives. The students will get short assignments from class to class, which require application of the covered topics, individual research using mainly sources available on internet and prepare and present brief analyses.

### Learning outcomes

Core Learning Area	Learning Outcome
Interpersonal Communication Skills	Participate in class discussions and problem solving exercises. Present arguments and findings. Objectively critique findings of fellow students.
Technology Skills	Individual/group research, using publicly available on-line sources.
Cultural Sensitivity and Diversity	Harness international and professional diversity of students in viewing issues and problems from different perspectives.
Quantitative Reasoning	Students will learn how to prepare and apply financial models to appraise the value of a venture or better evaluate the market potential of an opportunity.
Critical Thinking	Exercise the powers of inquiry, logical thinking and critical analysis. Interpret and evaluate theoretical arguments and empirical evidence. Think and reasoning!
Ethics and Social Responsibility	Evaluate and discuss challenges related to corporate governance, social responsibility and ethical and professional behavior. Understand for-profit and social enterprise.
Communication Skills	Prepare for investor presentation. Problem oriented and strate forward approach, but be sensitive and reasonable. Presentation skills – brief, efficient presentation is required. Balance information delivery, conclusion and Q&A.
Management Knowledge and Skills	Attain a broad understanding of management principles and techniques – communication, reporting, motivation, conflict management, risk management, hire-fire decisions. Students will develop skills to prepare and present a financially sound investment presentation to top management and/or investors.

### Reading list

#### Compulsory readings:

There is no compulsory textbook selected. However, selected articles, case studies and other readings will be assigned to the participants, time to time.

#### Optional reading (good to know):

Andrew Metrick – Ayako Yasuda (2011) *Venture Capital & Finance of Innovation* John Wiley & Sons, Inc. ISBN 978-0-470-45470

Paul Pignataro (2013) *Financial Modeling & Valuation* Wiley Finance Series ISBN 978-1-118-55876-8

Jerald E. Pinto – Elaine Henry – Thomas R. Robinson – John D. Stowe (2010) *Equity Asset Valuation* Wiley Finance ISBN 978-0-470-57143-9

Jeffry A. Timmons – Stephen Spinelli (2003): *New Venture Creation: Entrepreneurship for the 21<sup>st</sup> Century* McGraw Hill ISBN 0-07-123272-9

David Gladstone – Laura Gladstone (2004): *Venture Capital Investing: The Complete Handbook for Investing in New Business* FT Prentice Hall. ISBN: 0-13-101885-X

Dermot Berkery (2007): *Raising Venture Capital for the Serious Entrepreneur* McGraw Hill ISBN-13 978-0-07-149602-5

Josh Lerner – Felda Hardyman – Ann Leamon (2005): *Venture Capital and Private Equity* (3<sup>rd</sup> Edition). John Wiley & Sons, Inc. ISBN: 0-471-23069-3

Pierre – Yves Mathonet – Thomas Meyer (2007): *J Curve Exposure* John Wiley & Sons, Inc. ISBN-13 978-0-470-03327-2 (HB)

Susan L. Preston (2007): *Angel Financing for Entrepreneurs: Early Stage Funding for Long-Term Success* Jossey-Bass ISBN-13:978-0-7879-8750-3

William H. Draper III. (2011): *The Startup Game* Palgrave MacMillian ISBN 978-0-230-10486-0

Jeffrey Weber (212): *From Idea to Exit* Triple Nickel Press, Library of Congress Control Number: 2011933306

### Recommended readings:

- Economic and financial press (*The Financial Times, The Economist, The Wall Street Journal, Business Week, Fortune*),
- Selected home pages are discussed time to time in the class (BVCA, HVCA, Ivesteurope, National Venture Capital Association).

### Assessment

The final grade is based on the overall evaluation of students' performance. The following components and weights make up the grade:

- Investor presentation **20%**
- Project assignment – drafting and negotiation a Term Sheet **60%**
- Class participation (individual) **20%**

Grade	Assessment	Points
A	Outstanding	100-88%
A-	Excellent	87-76%
B+	Good	75-64%
B	Fair	63-52%
B-	Satisfactory	51-46%
C+	Minimal pass	45-40%
F	Fail	39- 0%

**Course schedule and materials for each session** (Subject of completed business plan availability)

<b>Class</b>	<b>Date</b>	<b>Topic</b>	<b>Preparation</b>	<b>Deliverables</b>	<b>Guest Speakers</b>
<b>1.</b>	20 <sup>st</sup> February 2018 Tuesday 5:30 – 8:30 p.m. <b>N13 301</b>	<b>The PE/VC Industry</b> Private Equity/Venture Capital industry Fund structure/operation of funds	Review HVCA/BVCA homepages Investeurope statistics	Group forming	
<b>2.</b>	27 <sup>th</sup> February 2018 Tuesday 5:30 – 8:30 p.m. <b>N13 301</b>	<b>Financing Need</b> Determining the financial need, uses & sources Transaction management	Prepare group investment criteria Group research assignment: EBITDA margins Benchmarking Readings: <i>Selected articles</i>	Group/Individual project assignment Selected PE/VC Funds investment criteria research	
<b>3.</b>	6 <sup>th</sup> March 2018 Tuesday 5:30 – 8:30 p.m. <b>N13 301</b>	<b>Transaction structuring and valuation</b>	Readings: <i>BVCA A Guide to VC Term Sheets</i>	Group presentations Elevator pitch - Investor presentations	
<b>4.</b>	13 <sup>th</sup> March 2018 Tuesday 5:30 – 8:30 p.m. <b>N13 301</b>	<b>Investor presentation</b>	Prepare investor presentation Readings: <i>Selected articles</i> Select investment target	Group investment target decision	
<b>5.</b>	20 <sup>th</sup> March 2018 Tuesday 5:30 – 8:30 p.m. <b>N13 301</b>	<b>Term Sheet</b> Common terms and conditions	Term Sheet drafting and negotiation Readings: <i>Selected articles</i>		Guest speaker ( <i>subject of availability</i> )
<b>6.</b>	27 <sup>th</sup> March 2018 Tuesday 5:30 – 8:30 p.m. <b>N13 301</b>	<b>Management of growth, value building</b>	Term Sheet drafting and negotiation Readings: <i>Selected articles</i>	Issue Term Sheet to target group	
<b>7.</b>	3 <sup>rd</sup> April 2018 Tuesday 5:30 – 8:30 p.m. <b>N13 301</b>	<b>Risk assessment and risk management Exit</b>	Term Sheet drafting and negotiation Readings: <i>Selected articles</i>		Guest speaker ( <i>subject of availability</i> )
<b>8.</b>	10 <sup>th</sup> April 2018 Tuesday 5:30 – 8:30 p.m. <b>N13 301</b>	<b>Term Sheet summary presentation</b> Term Sheet preparation and negotiation Conclusions and key take away	Prepare group presentation – Negotiated terms summary, Key negotiation issues, conclusions	Group presentations Negotiated terms and conditions What did we learn?	

## **Brief bio of the instructor**

### **Gábor Baranyai**

Gábor Baranyai has been originating, executing and monitoring private equity and venture capital investments in Central and Eastern Europe for over nineteen years. His main activities are transaction structuring, fund raising and other M&A assignments. Gábor Baranyai acted partner and managing director of DBG Eastern Europe's (a generalist private equity fund) from 1999 to 2005. Prior to joining DBG Eastern Europe, Gábor was country director of CETI (a telecommunications-focused venture capital fund) and served as an investment manager with the International Finance Corporation (the private sector arm of the World Bank). He was also a member of the board of directors of MOL (the Hungarian national oil company) for several years. Gábor is member of the Hungarian Venture Capital and Private Equity Association and Board Member of the Canadian Chamber of Commerce in Hungary. Gábor has an MBA from the Joseph M. Katz Graduate School of Business at the University of Pittsburgh. He has MSc in chemical engineering.