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# Private Equity and Venture Capital

**Professor:** Filippo Ippolito

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**Office hours:** by appointment

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## Course Description

This comprehensive course provides in-depth knowledge and practical skills in private equity (PE) and venture capital (VC). It is structured in two modules to offer a thorough understanding of each investment process.

**Module 1: Private Equity** (16.5 hours) covers key concepts like leveraged buyouts (LBOs), financial engineering, distressed investing, and exit strategies. Students will work through case studies such as Bain Capital's acquisition of Outback Steakhouse, Heinz's LBO, and Oaktree's turnaround of Pierre Foods. The module also includes a presentation from a private equity professional and group case presentations.

**Module 2: Venture Capital** (13.5 hours) focuses on early-stage investing, deal structuring, and valuation methods. Students will analyze cases like Sigma Ventures' early-stage investment and term sheet negotiations at Trendsetters, and will participate in practical exercises on the VC method. This module features a guest lecture by a VC expert and culminates in group case presentations.

By the end of the course, students will have gained comprehensive insights into structuring deals, assessing investment opportunities, and managing exits in both private equity and venture capital.

## Course objectives

By the end of this course, students will:

- **Develop Core Knowledge of Private Equity and Venture Capital:** Understand the lifecycle of private equity and venture capital funds, including how they create value through financial engineering, operational improvements, and deal structuring.
- **Master Financial Modeling and Valuation Techniques:** Gain practical experience with LBO modeling, recapitalizations, and VC valuation methods through hands-on exercises and case studies.
- **Analyze Real-World Cases:** Apply theoretical concepts to real-world situations by discussing and solving cases involving key decisions in PE

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and VC, including exits, distressed investing, and early-stage deal structuring.

- Enhance Critical Thinking and Presentation Skills: Synthesize course content into final case presentations, refining analytical and decision-making skills critical for careers in private equity and venture capital.
- Engage with Industry Professionals: Learn from guest lectures by experienced professionals in the field, offering insights into current trends, challenges, and best practices in PE and VC.

## Methodology

At mix of lectures, case studies with class discussion, and projects.

## Evaluation criteria

Assessment:

- Class Participation and Discussions: 60%
- Case Study Presentations: 40%

Students are required to attend 80% of classes. Failing to do so without justified reason will imply a Zero grade in the participation/attendance evaluation item and may lead to suspension from the program

As with all courses taught at the UPF BSM, students who fail the course during regular evaluation will be allowed ONE re-take of the examination/evaluation. Students that pass any Retake exam should get a 5 by default as a final grade for the course. If the course is again failed after the retake, students will have to register again for the course the following year.

In case of a justified no-show to an exam, the student must inform the corresponding faculty member and the director(s) of the program so that they study the possibility of rescheduling the exam (one possibility being during the “Retake” period). In the meantime, the student will get an “incomplete”, which will be replaced by the actual grade after the final exam is taken. The “incomplete” will not be reflected on the student’s Academic Transcript.

Plagiarism is to use another’s work and to present it as one’s own without acknowledging the sources in the correct way. All essays, reports or projects handed in by a student must be original work completed by the student. By enrolling at any UPF BSM Master of Science and signing the “Honor Code,” students acknowledge that they understand the schools’ policy on plagiarism and certify that all course assignments will be their own work, except where indicated

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by correct referencing. Failing to do so may result in automatic expulsion from the program.”

## Contents

### Module 1: Private Equity (16.5 Hours)

#### Session 1: Introduction to Private Equity

- (1 hour) Lecture: Overview of PE, fund structures, key players, and role in corporate finance.
- (1 hour) Discussion: Case study on a buyout deal, focusing on financial structure and risks (Bain Capital and Outback Stakehouse)

#### Session 2: Leveraged Buyouts (LBOs) and Financial Engineering

- (1 hour) Lecture: Detailed mechanics of LBOs, deal structuring, debt, and value drivers.
- (2 hour) Discussion: LBO modeling using a high-profile case. (Heinz’s LBO)

#### Session 3: Recapitalizations and Corporate Policies

- (1 hour) Lecture: Dividend recapitalizations, corporate governance, and operational improvements.
- (1 hour) Discussion: Case on a PE firm using recapitalization strategies. (HCA’s LBO exit)

#### Session 5: Distressed Investing and Turnarounds

- (1 hour) Lecture: Distressed investing and turnaround strategies.
- (1 hour) Discussion: Case study on restructuring a distressed company. (Oaktree and Pierre Foods)

#### Session 6: Exit Strategies and PE Performance

- (1 hour) Lecture: IPOs, M&A, and secondary sales
- (1 hour) Discussion: Case on a PE firm’s strategic exit. (Hertz’ IPO)

#### Session 7: (1.5 hours) Presentation by a private equity professional

#### Session 8: (2 hours) Presentations of cases

#### Session 9: (2 hours) Presentations of cases

### Module 2: Venture Capital (13.5 Hours)

#### Session 10: Introduction to Venture Capital

- (1 hour) Lecture: Overview of VC industry, lifecycle of VC funds.
- (1 hour) Practical: Case study on early-stage VC investment. (Sigma Venture)

#### Session 11: Deal Structuring in VC

- (1 hour) Lecture: Structuring VC deals, stages of investment (seed, Series A, growth equity).

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- (1 hour) Practical: Case on structuring a VC investment. (Term Sheets at Trendsetters)

Session 12 (1.5 hours) Presentation by a private equity professional (Kamal Amade)

Session 13: Valuation in Venture Capital (Part 1)

- (1 hour) Lecture: The venture capital valuation method
- (1.5 hour) Practical: Exercises on the VC method

Session 14: Valuation in Venture Capital (Part 2)

- (1.5 hour) Practical: Case study on the VC method (Outreach networks)

Session 15: (2 hours) Presentations of cases

Session 16: (2 hours) Presentations of cases

## Bibliography

- Course notes and slides
- Cases

## Biography of the Professor

Filippo Ippolito is Associate Professor of Finance at Universitat Pompeu Fabra in Barcelona. Filippo holds a PhD in Finance from Said Business School, Oxford. Filippo has published in the Journal of Finance, Journal of Financial Economics, Journal of Financial Intermediation, Journal of Monetary Economics, Journal of Money, Credit and Banking, and Journal of Corporate Finance.