

PRIVATE EQUITY AND VENTURE CAPITAL

Total Course Load: 80 hours

Course Description:

Private Equity Industry Overview ; Private Equity Entrepreneurial Ecosystem ; Funding Structure ; Fundraising process ; Investing and monitoring portfolio companies ; Exits and Distribution.

Objectives:

Private Equity (PE) and Venture Capital (VC) funds are active investors that invest from startups to late stage, to mature companies with restructuring and consolidation opportunities to distressed firms. Besides financial resources, PE and VC funds usually improve portfolio companies' corporate governance, professionalization and use their network to increase growth opportunities and value creation. This industry has been growing significantly worldwide. Preqin estimates that in the end of 2015 there was around US\$1.4 trillion of dry powder globally (available financial resources for PE and VC new investments in companies). Brazilian PE and VC industry also has grown substantially in the last 30 years. The objective of this course is to introduce and discuss the Private Equity and Venture Capital industry, explain how are their cycles, who are the players, what are the risk and return for investors, why the industry is important for developed and emerging countries, what are their perspectives. Although we discuss the industry globally, we have a focus in Brazil.

Program Content:

1. What are PE and VC funds and what are the benefits and costs of investing in this asset class.
2. PE and VC role in the Entrepreneurial Ecosystem: who are the players, what are their roles, what is the importance of the ecosystem for the economic development of a country. Structuring funds and the fundraising process.
3. The relationship between investors (LP – limited partners) and fund managers (GP – General Partners): conflict of interests and agency problems, compensation arrangements, contractual clauses and governance.
4. PE and VC funds as an asset class in institutional investors' portfolio.
5. Industry organization and difficulties in raising first time funds. Investing and monitoring portfolio companies
 1. Deal sourcing and evaluation: pre deal considerations and qualitative issues.
 2. Deal valuation: comparable, the Venture Capital Method, WACC and APV.
 3. Deal structuring: basic securities used to invest in portfolio companies, usual clauses, term sheets, due diligence
 4. Monitoring portfolio companies and implementing value creation strategies: boards, governance techniques, LBO model

Exits and Distributions

1. Different kinds of exits
2. The IPO process
3. Distribution to LPs

Basic Bibliography

Books:

GOMPERS, P. A.; LERNER, J., **The Venture Capital Cycle.**, 2^a ed., The MIT Press, 2004

METRICK, A.; YASUDA, A. , **Venture Capital and the Finance of Innovation**, 2ª ed., John Willey & Sons, 2011

LERNER, J.; LEAMON, A.; HARDYMON, F., **Venture capital, private equity, and the financing of entrepreneurship: the power of active investing.** , 1ª ed., John Wiley & Sons, 2012

Articles:

INVEST EUROPE.. Guide to private equity and venture capital for pension funds. **Belgica.** , p. 33 , 0. ; Available in: <https://investeurope.eu/media/510671/Invest-Europe-PensionFund-Guide-to-Private-Equity-and-Venture-Capital.pdf>. Access in 08 nov 2019.

INSEAD..ESG in private equity:a fast evolving standard. . , p. 44 , 2014. ; Available in: <https://centres.insead.edu/global-privateequity-initiative/researchpublications/documents/ESG-in-private-equity.pdf>. Access in 08 nov 2019.

CULLINAN, G.; LE ROUX, J. M.; WEDDIGEN, R. M.. When to walk away from a deal. **Harvard business review.** , v. 82 , n. 4 , p. 97-104 , 2004. ; Available in: <http://eds.a.ebscohost.com/eds/pdfviewer/pdfviewer?vid=0&sid=f5ff591c-77ed-4ca6-8c48-b61aef98d971%40sessionmgr4007>. Access in 08 nov 2019.

LUEHRMAN, T. A.. Using APV: a better tool for valuing operations. . **Harvard business review.** , v. 75 , n. 3 , p. 145-154 , 1997. ; Available in: <http://eds.a.ebscohost.com/eds/pdfviewer/pdfviewer?vid=0&sid=890bd6fe-5030-4416a528-17d84023c675%40sessionmgr4010>. Access in 08 nov 2019.

Complementary Bibliography

Books:

HULL, J. C., **Options, Futures, and other derivatives**, 9ª ed., Prentice-Hall, 2015

TITIMAN, S., MARTIN, J. D., **Valuation: The art and Science of Corporate Investment Decisions**, 2ª ed., Pearson, 2011

LAKE, R., **Private equity and venture capital: a practical guide for investors and practitioners.** , 1ª ed., Euromoney Books, 2000

BREALEY, R. A.; MYERS, S. C.; ALLEN, F., **Principles Of Corporate Finance**, 11ª ed., McGraw-Hill, 2014

FELD, B.; MENDELSON, J., **Venture Deals: be smarter than your lawyer and venture capitalist** , 3ª ed., Willey, 2016

Articles:

KESTER, W. C.; LUEHRMAN, T. A. . Rehabilitating the leverage buyout. **Harvard business review.** , v. 73 , n. 3 , p. 119-130 , 1995. ; Available in:

<http://eds.a.ebscohost.com/eds/pdfviewer/pdfviewer?vid=0&sid=b47fdd9d-a613-47a39245-4a4419f71867%40sessionmgr4008>. Access in 08 nov 2019.

MINARDI, A. M. A. F.; KANITZ, R. V.; BASSANI, R. H. . Private equity and venture capital industry performance in Brazil: 1990-2013.. **The journal of private equity.** , v. 17 , n. 4 , p. 48-58 , 2014. ; Available in: <http://eds.a.ebscohost.com/eds/pdfviewer/pdfviewer?vid=0&sid=544608a9-bcec-4f92-855f-de9c6ed1d769%40sessionmgr4009>. Access in 08 nov 2019.