Over the past two decades, the private equity industry has matured. There are 1,000+ firms and hundreds of billion of capital available and ready to be deployed. Most companies are sold through auctions with deliberate, thorough sale processes. Arguably the market is efficient and companies are sold for full value.

This course will focus on competing in an efficient market and the key drivers for success. The course will be broken down into the following sections: i) establishing a focus; ii) identifying opportunities; iii) creating value through strategic and operational improvements; iv) investing in and adapting to changing environments; v) concluding remarks—making money in a mature market.

This will be an elective course with a requirement that all students have completed their core studies including accounting, corporate finance, strategy and marketing. Students will be required to come to class prepared to summarize, discuss and debate course topics. Selective reading materials, case studies and group project will be utilized. Grades will be based upon class participation, submitted work and group projects.

Outline:

I. Establishing A Focus
   -geographic focus
   -generalist vs. industry specialist
   -acquisition target size

   The emphasis will be on crafting a viable strategy in a competitive market

Case Studies:
   -The Carlyle Group—HBS 409050 (industry focus and “culture, structure and investment philosophy…”)
II. **Identifying Opportunities** — Frame Work
   - understanding attributes of successful leverage buyout
   - assessing merits and demerits of opportunities
   - honing in on key drivers of return and risk

   *Two concepts will be discussed and analyzed – general characteristics of a potential buyout; and within the context of a deal, the key drivers of risk and return*

   Case Studies:
   - Dresser Division (buyout) — HBS 207125 (“characteristics of attractive buyout, assess achievability of forecasts and valuing company”)

III. **Identifying Opportunities** — Application of Framework
   - developing acquisition criteria
   - identify acquisition opportunities in public markets

   *This is an exercise that will allow students to move from the theoretical to the practical. In groups they will attempt to identify live opportunities and come prepared to defend their ideas*
   - AMC case is provided as background information to assist students in their group project

   **Group Assignment:**
   - class will be divided into groups and required to develop acquisition criteria, identify acquisition opportunities in public markets and assess key drivers of return and risk in a transaction
   - each group will make a presentation to the class and should be prepared to defend their ideas

   **Case Studies:**
   - Buyout of AMC Entertainment — Darden — UVA-F-1508 (“forming a public to private proposal”)
IV. Creating Value through Strategic & Operational Improvement
- operational assessments & correcting inefficiencies to create value
- strategic reviews and durable advantage
- blue print for value—defined action plans

Arguably the core of the current private equity business is building and improving businesses – which will be the focus of this module

Reading Materials:
- If Private Equity Sized Up Your Business—HBS R0711D

Case Studies:
- Texas Pacific Group & J. Crew—HBS 808017 (“TPG’s intensive involvement in running the business”)

Guest Lecturer:
- CEO of private equity owned business (to be determined)---
  Summary of transaction, investment thesis, key operational and strategic focuses and involvement of private equity sponsor in the process

V. Investing in and Adapting to Changing Environments
- understanding and projecting industry structure 3 to 5 years hence
- opportunities and risks in consolidating industries
- evaluating under vs over built industries and potential competitive encroachment
- understand changing nature of market opportunities

The purpose of this module to understand the mindset and strategic outlook of long term investors –
  -Linen n Things case will highlight changing competitive landscape and entrants of new competitors

Case Studies:
- Linen n’ Things vs. Bed Bath & Beyond—HBS 909MG1 (“business and environmental strategy—centralization vs. de centralization and competitive encroachment by Target & Walmart”)
Guest Lecturer:
- Retail Industry – Equity research and/ or Private equity investor – discussion of investing in saturated market

VI. Concluding Remarks: Making Money In A Mature Market
- industry specialization
- focus on improving companies
- monitor, measure and adapt
- track market conditions and manage exits

The first part of this class will be reserved for spill over from previous classes; and the second part will attempt to distill down the important concepts and takeaways from the course