

Indicative Summary: Subject to Change

Spring 2016: Course Summary for New Course.

Course Name: GB 3368.20 Private Equity Deal Analysis and Simulation.

Professor: Gustavo Schwed

Meets: Tuesdays and Thursdays 3-4:20 PM.

Prerequisites: GB 3365 Private Equity Finance

Credits: 3

Overview:

- 1) This course will cover a single, real private equity transaction. Students will use the actual due diligence reports, management presentation and draft stock purchase agreement from the real transaction, along with simulated debt financing term sheets, to undertake all key due diligence, valuation and execution steps in a new deal process. The course will include a simulated competitive auction as well as simulated post-closing value creation alternatives.
- 2) The course will be a combination of lectures by the professor, presentations by students, and “laboratory” work sessions.
- 3) **Course enrollment will be capped at 20.** PE Finance course is a prerequisite.
- 4) This course will move at a fairly quick pace and will presume LBO modeling expertise on the part of the students (**LBO modeling will be used extensively but not taught as part of the course**). Therefore, students will have to apply for enrollment. The key selection variables will be grades in other relevant courses, demonstrated LBO modeling skills, and course-to-date performance in PE Finance.
- 5) Students will be divided into five groups of four each. Each group will act as Private Equity Firm and participate in the analysis of and bidding for the target company. The course will be divided into three phases: First round, second round, and post-acquisition.
- 6) The course will include sixteen sessions in which the professor will lead the session and all students will attend; eight sessions in which individual groups will make presentations to the professor while all others will work on deliverables in a separate area; two “lab” sessions in which groups will meet during class time in the same area to work on group tasks under the professor’s supervision.
- 7) The course will include a pedagogical component and a gaming/simulation component. The former will involve learning about the key areas and dynamics of a PE deal process and the latter of bidding for the asset and attempting to win by submitting the highest (i.e. winning) bid that still generates an acceptable IRR and does not cause a covenant breach.
- 8) Bidders will not be informed where they stand either after the first or the final bid, only at the end of the game.
- 9) The professor will maintain a master model which will contain the actual performance of the company for the five years after closing and therefore represents “what happened” to the

company after it was acquired by the PE groups. This will not be shared with the bidders except at the end of the game. Each bidder will be secretly assigned its own version of the master model which initially will be identical for all bidders. Bidders will have the opportunity to improve or worse their master model through their description of post-acquisition strategy delivered in their final bid documents, the post-acquisition options they select, and the design of their management equity plan.

- 10) PE Groups key deliverables: preliminary IC memo (roughly 10 pages PPT), first round bids, questions for management presentations, mark-up of draft SPA including disclosure letter, final IC presentation (roughly 20 page PPT), final binding bid. The groups will also have to use the two classroom lab sessions to analyze and select post-closing options.
- 11) Grades will include 50% for quality of group deliverables, 25% class participation (which in the context of this course means level of engagement – i.e. enthusiasm and energy in class and during group work, not so much about speaking in class): 12.5% awarded by the professor and 12.5% through peer evaluation by fellow group members, 25% results of the game (top score for high bidder so long as IRR is at least 18%-20%, lowest score for either absurdly low bid or lowest IRR).