Private Equity & Entrepreneurship

This course examines the role of private equity financing, as a type of financing, for the entrepreneurs and the critical issues that the two parties involved in the transaction will face during the investment process and their negotiations. Topics covered include fundamental analysis, applications and models related to the private equity professionals and the entrepreneurs. This course is designed to provide understanding of:

- the private equity industry and the specific ‘type of financing’
- the investment process for the private equity funds and the entrepreneurs
- the various sources and types of financing (debt, mezzanine, high yield, securitization, equity)
- the financial and the legal structuring & modelling for development capital, mezzanine and LBOs
- critical issues that this ‘type of financing’ is facing with the Entrepreneurs and especially with the management philosophy of the family owned companies
- the social and economical impact of private equity and the employment contribution in European and US economy
- one of the most successfull cases of entrepreneurship, the case of Starbucks company

Course Aims:

The purpose of this course is to provide a strong theoretical framework for business school students that would like to work as entrepreneurs raising capital from private equity funds, entrepreneurs acquiring other companies, company managers involved in the acquisition & business development strategy, investment bankers, corporate lawyers, private equity fund managers, auditors, and management consultants;

After this course the Chicago MBA student will have the basic skills to structure an investment from a financial and legal prospective, to present and monitor it through the development of various tools and models.
Course Outline:

Section A

1. Introduction to Private equity
2. What is private equity financing and how it can be used
3. Sources & types of private equity financing
4. Would my company be attractive to a private equity fund
5. External & Internal sources of financing for the entrepreneur
6. Private equity – Bank debt financing: the advantages of private equity in comparison with debt financing
7. How to select a private equity fund
8. Type of private equity funds

Section B

9. The Investment process for the two parties
10. The key role of the business plan between the fund and the entrepreneur
    - business plan methodology, model and examples
11. The financial structuring of a private equity investment
    - description of the stages and the instruments
12. The valuation structure of a private equity investment
    - description of the methods and valuation models (excel)
13. The legal structuring of a private equity investment
    - term sheets and legal agreements (debt, mezzanine and equity)
14. The company due diligence process before the investment completion
    - Legal, Financial, Commercial due diligence lists

Section C

15. The Leverage Buyout Out (LBO) financing
    - structuring & modelling (model/excel)
16. The Mezzanine financing in Europe & USA
    - structuring & modelling (model/excel)
17. The High Yield Bond financing
   - structuring & modelling (model/excel)
18. The Whole Business Securitisation financing
   - structuring & modelling (model/excel)

Section D

19. The type and role of professional advisors in a private equity transaction
20. The relationship of the entrepreneur with the private equity investor
21. Adding value to the company as a private equity investor
22. Realising the investment – IPO or trade sale
23. The benefits of private equity financing
24. The economic and social impact in Europe, UK & USA by the private equity
25. Employment contribution in European, UK and USA economy by the private equity
26. Private equity & generational change - the contribution of private equity in the family business
27. Critical issues between entrepreneurs and private equity funds
28. The entrepreneurial case to study: Starbucks
29. Other great entrepreneurial cases of all time who changed the way we live & do business
Course pack

A. Lecture Notes

B. Additional study papers and materials for the course
   1. Sample private equity term sheet & legal agreements
   2. The LBO financing by Andreas Angelopoulos:
      a. Understanding LBO structuring & modelling
      b. Sample LBO model
      c. Sample Term sheet (Acquisition facility: Debt, Mezzanine)
   3. The Mezzanine & High Yield Bond financing by Andreas Angelopoulos
   4. The Whole Business Securitisation financing by Andreas Angelopoulos
   5. The Business plan outline and model by Andreas Angelopoulos
   6. The understanding of financial statements before an acquisition by Andreas Angelopoulos
   7. The valuation methods (and a sample model) before an acquisition by Andreas Angelopoulos
   8. The due diligence method and lists (example of financial, legal, & commercial)
   9. Case in private equity valuation methods by HBS (J. Lerner)
   10. Private Equity & Venture Capital glossary by EVCA

C. Case study: Starbucks by Harvard Business School

D. Additional research, publications and materials for the course are described below in detail: (optional – per student’s request)
   1. Research Papers published by GSB Chicago
   2. Private Equity main articles & research published by Private equity international, Business Week, WSJ, and New York Times
   3. Research & Special Papers regarding private equity in Europe, USA, and UK published by EVCA, BVCA, NVCA, PWC, DeLoitte, OECD, European Union, Journal of Finance, and Entrepreneur in UK, USA and Europe as follows:
Private Equity in Europe

1) Issues that a private equity investor will face in UK, Italy, Spain, France, Germany, Netherlands, Belgium, Sweden by Aschurtz Morris Crisp

2) Economic and Social Impact of Management Buyouts & Buyins in Europe

3) European Buyout success stories

4) European technology & venture capital success stories

5) Central & Eastern Europe private equity investment statistics 2006

6) European venture capital annual report, 2005

7) Mc Greevey interview and response to Charlie Mc Greevy’s recent comments on private equity, by 2007

8) European private equity & venture capital activity report 2006

9) Learn from the past mistakes in Europe

10) Tax & legal environment favoring private equity in Europe

11) Bankruptcy insolvency in European countries

12) Debt financing structures in Europe

13) Director’s responsibilities in Europe

14) Employment law issues in Europe

15) Merger regulation in EU

16) Italian tax developments regarding buyouts

17) Developing Private Equity in Europe, report by European Commission
Private Equity in UK

1) Private equity the new asset class by LBS & BVCA

2) Highlights of the London Business School report: UK Venture Capital and Private Equity as an Asset Class for Institutional Investors

3) Business Angel Finance: Where companies find development capital and investors find business opportunities, by National Business Angel Network in UK

4) Private Equity a UK success story

5) Private Equity and Venture Capital, Performance Measurement Survey


7) The economic & social impact of private equity by Peter Linthwaite, by CEO of BVCA

8) Creating success from University spin out

9) Entrepreneur: Entrepreneurs’ cases that British venture capital funds backed up
Private Equity in USA

1) Global Trends in Venture Capital 2006 Survey
2) Venture Capital 5 Year performance numbers trend positive
3) Venture backed IPOs make gains; acquisition activity declines
4) Venture Capital fundraising activity continues at lower levels
5) Early Stage Funds Drive Fundraising
6) The Private Equity Boom: Causes and Policy Issues, Adrian Blundell-Wignall,
7) Better exits, results of a survey of the venture capital exit market and guidance on how venture capitalists can improve exit performance
Andreas Angelopoulos - Profile

Andreas, 39 years old, Hellenic (Greek) national, has more than 15 years of experience in the areas of private equity and engineering.

Andreas is advising Englefield Capital, a €2 billion UK private equity fund based in London, UK investing in development capital and leveraged buyout transactions in Europe, from 2005. He is leading the efforts in South East Europe (Italy, Greece & Balkans and Turkey), having reviewed more than 200 companies in the following sectors: education, healthcare, energy, financial services, and business services.

Between 2000 and 2004, he was a member of Dresdner Kleinwort Benson’s (the investment bank of Dresdner Bank, member of Allianz Group) Principal Finance Group in London, which commits the bank’s own risk capital (€1 billion balance sheet) in taking secured equity and debt positions (senior debt, mezzanine) at operating or financial assets as a ‘principal’.

He financed various transactions on span of healthcare, leisure, hospitality, satellites, cable, mezzanine loans, lease contracts and specialized industrials. He involved in the financing of Goldman Sachs Capital Partners, GSC and AIG – Mezz Vest Mezzanine Funds analyzing more than 23 companies in USA and Europe, that these funds have invested.

Before that he worked in the venture capital division (€100million fund) of DrKB based in London covering TMT in USA, Europe and Israel investing in 13 companies. He invested and served at the Board of Directors of Inxight (USA) and Consul (Netherlands), as an observer. In 1999, he started his career in the private equity working for Commercial Capital (€500 million fund), member of Gredit Agricol Group, investing in mid-cap companies in South and Eastern Europe.

Between 1993 and 1999, he worked in the area of engineering (real estate and infrastructure) working with Bechtel, Dames & Moore and Hochtief – ABB J/V in USA and Europe.

He holds an MBA from The Graduate School of Business at University of Chicago (sponsored by Dresdner Bank AG), a Master of Science from the School of Engineering & Engineering Mechanics at Columbia University in New York City (Gerondelis Scholar) and a Diploma in Civil Engineering (Computational Mechanics) from the School of Engineering at the University of Patras, in Greece.

He is a clinical professor teaching the courses of: Private Equity & Entrepreneurship and Venture Capital at Luiss Business School in Rome, Italy from 2006, and the course of Private Equity Structure & Finance at Imperial Business School in London, UK, from 2008.