

# Course Outline

<b>Course Code</b>	RSM 439 H1 F
<b>Course Name</b>	Private Equity and Entrepreneurial Finance
<b>Term, Year</b>	Fall, 2024
<b>Course Meets</b>	L5101 (Thursday 7:10PM – 9:00PM) L0101 (Friday 9:10AM – 11:00 AM) L0201 (Friday 11:10AM – 1:00PM)
<b>Web page URL</b>	<a href="https://q.utoronto.ca">https://q.utoronto.ca</a>

## Instructor Details

Section	Name	Email	Phone	Office Hours
L5101	Daivik Doshi	d.doshi@utoronto.ca	647-919-2663	<i>Please email instructor to set up a time</i>
L0101	Douglas Horn	douglas.horn@utoronto.ca	416-844-5235	
L0201	Warren Goldblum	warren.goldblum@utoronto.ca	647-638-4850	

## Course Description

The primary course objective is to develop students' understanding of the lifecycle of a private equity ("PE") investment through an examination of critical issues facing all parties involved in a transaction. The course will expand on students' preexisting knowledge of concepts from finance, economics, accounting, law, and strategy, and apply them to case situations.

### Course Learning Outcomes

- Understand the perspectives and motivations of all stakeholders to a private capital transaction including private equity investors ("LPs"), private equity funds ("GPs"), management teams, founders/shareholders, lenders, and advisors.
- Understanding the qualities of a compelling buyout candidate (and to a lesser extent less mature firms) including emphasis on industry selection and thesis generation.
- Understand the tools and processes used to perform due diligence on potential buyout candidates.
- Development of technical skills required in valuation of private businesses including forecasting and leveraged buyout modelling as well as legal structuring around investments.
- Understanding available alternatives for capital structure and the role of debt financing.
- Understanding the drivers of returns and value creation activities.

## Course Prerequisites

Completion of 14.0 credits; Completion of RSM333H1 is highly recommended

## Electronic Course Materials

This course will be using the following electronic course materials:

- Main coursepack provided through Harvard Business Publishing:  
<https://hbsp.harvard.edu/import/1199445>
- A series of industry readings which will be uploaded on **Quercus**

These materials will cost a total of \$58.25 USD. The use of these materials complies with all University of Toronto policies which govern fees for course materials.

## Evaluation and Grades

Grades are a measure of the knowledge and skills developed by a student within individual courses. Each student will receive a grade on the basis of how well they have command of the course materials, skills and learning objectives of the course.

Work	Percentage of grade	Due Date
In class participation	15%	Ongoing
Written submission on weekly discussion questions	15%	Ongoing
Individual industry recommendation submission	10%	October 2
Individual LBO model submission	10%	October 23
Group presentation on investment recommendation	20%	November 20
Final Term Test	30%	[TBD]

## Course Format and Expectations

Private equity involves working in teams, and communication skills are particularly important in this industry and an important component of your grade. This class is a low-risk opportunity for you to improve your analytical reasoning and your communication skills, in writing and orally.

### 1. In class participation (15%)

Your participation grade depends on your contribution to classroom learning and understanding, primarily through in-class participation along with a few additional opportunities that will be discussed in class. Your participation will be based on the quality of your comments (e.g. demonstrating understanding and analysis of the topic, generating ideas, promoting further discussion), the frequency of comments, and your professionalism.

We expect you to come to every class, be on time, and be prepared to participate. You must bring a class card, so we can call on you using a name you prefer, and so class participation can be appropriately recorded and rewarded. You should sit in the same seat for each class, so participation can be recorded accurately.

### 2. Written submission of weekly discussion questions (15%)

The purpose of these individually prepared written submissions is to ensure that you are prepared for classroom discussions, which means you have read the readings for the week as well as the case. But, more importantly, you have thought critically about the subject matter in advance, so you are ready to contribute. Contributions come in many forms – they can be unique insights you have gleaned, questions you have, or integrating learnings from other courses or life into the topics being covered.

The weekly written submission need not be more than 1 page and should be submitted via upload on Quercus before class. They should include a brief summary/key takeaway in point format as well any questions/points you'd like to

raise during classroom time. Sample questions to guide your submissions are uploaded on Quercus, but you should feel free to incorporate other topics you think are salient. As your preparation of the answers to these weekly discussion questions are meant to prepare you for class participation, all substantive submissions which are submitted on time based on the criteria above will receive full credit.

**3. Individual assignment submissions (Industry recommendation: 10%, LBO model: 10%)**

We will assign two individual assignments which will be due via upload on Quercus at 11:59 PM on Wednesday on the dates indicated in the table above (submissions will automatically lose 1% per minute following the deadline). The expectations for each assignment, including format of the deliverable will be discussed in class 3 (industry recommendation) and class 6 (LBO model) respectively.

**4. Group presentation on investment recommendation (20%)**

You will be required to work with a group of 5-6 that we will assign. For this presentation your group will provide an investment recommendation for a company to be acquired by a private equity firm. To leverage research and work conducted earlier in the semester, the industry and company your group selects will come from a list provided by the professor.

The deliverable will consist of a PowerPoint presentation which will be due via upload on Quercus at 11:59 PM on November 20<sup>th</sup> (submissions will automatically lose 1% per minute following the deadline). Groups will be presenting during the last two class sessions. More details will be provided in week 8 of the course.

**5. Final Exam (30%).**

The final exam will be a closed-book exam during the exam period. Further details about the content and format that will be included on the exam will be provided by class 6

***Writing Assignments or Presentations***

Select assignments above are intended to help you develop your communication skills. How well you communicate your ideas, in writing or orally, will be considered in the evaluation of the assignment. In your written assignments, you should aim for clarity, strong organization, concision, professionalism, and correct grammar. Your presentations should reflect strong planning and organization, clarity of speech, and an engaging demeanour. Sources, whether in written or presentation assignments, should always be correctly attributed.

Support is available through the RC Centre for Professional Skills (CPS) for students who would like help or feedback on their writing or speaking (presentations). CPS offers both individual and group appointments with trained writing instructors and presentation coaches who are familiar with the RC program and common types of business assignments. You can also access your college Writing Centres for help with written assignments.

You can book an appointment with a writing or presentation coach through the RC Centre for Professional Skills Writing Centre. For more information about writing centres, student supports, and study resources, see the [Writing and Presentation Coaching academic support page](#).

### *Team or Group Assignments*

The investment recommendation group presentation requires students to work in teams of 5-6. Learning to work together in teams is a crucial transferrable skill you will use not only in your coursework, but also in your future careers. Support is available if you encounter common teamwork challenges such as:

- Team members feeling left out of the team.
- Team members not responding in a timely manner to communication.
- Division or quality of work among team members being unequal or unfair.

Consult the [Centre for Professional Skills Teamwork Resources page](#) for tips, strategies, and best practices. You can also [book an appointment with a teamwork mentor](#) through the RC Centre for Professional Skills Writing Centre. Teamwork mentors can help you resolve or mitigate conflict, strategize on planning, or improve team communication.

If you are a student registered with Accessibility Services, and extensions are one of your academic accommodations, consult with your Accessibility Advisor about the teamwork in this course.

### *Class Participation*

Students are expected to prepare thoroughly and make every effort to attend every class. As class participation is a graded component of the course, students will be evaluated on the following:

- Thoughtful responses
- Understanding and analysis of topic
- Idea generation
- Promoting further discussion
- Respectful active listening
- Attentiveness
- Attendance

While attendance is necessary for students to participate in class discussions, attendance on its own will not result in a high participation grade. Students must actively contribute and participate by exhibiting the components listed above.

### *Missed Tests and Assignments*

Students who miss a term test or assignment for reasons entirely beyond their control (e.g. illness) may request special consideration **within 2 business days** of the missed midterm/test/assignment due date.

In such cases, students must:

1. Complete the Request for Special Consideration form: <https://uoft.me/RSMConsideration>
2. Provide documentation to support the request, eg. Absence Declaration from [ACORN](#), medical note etc.

**Please note:** As of September 2023, students may use the Absence Declaration on ACORN **\*one time per term\*** to report an absence and request consideration. **Any**

**subsequent absence will require a [Verification of Illness form](#) or other similar relevant documentation.**

Students who do not submit their requests and documentation within 2 days may receive a grade of 0 (zero) on the missed course deliverable.

An excused individual assignment will be handled by reweighting the other individual assignment to 20% of the student's total grade. An excused written discussion question submission will be made up by reweighting the other components of the 15% grade assigned to weekly discussion question submissions. An excused missed group presentation will be made up by reweighting all other components of the grade in the course.

**Final Exams:** If you miss the final exam in this course for a legitimate reason (illness, etc) you will need to contact your College Registrar to file a petition for a deferred exam. This deferred exam will be written at a later date as established by the Faculty of Arts & Science. Instructions can be found here: <https://www.artsci.utoronto.ca/current/faculty-registrar/petitions-appeals/preparing-petition>

### *Late Assignments*

All assignments are due on the date and at the time specified in Quercus. Late individual assignment submissions and group presentation materials will be penalized at a rate of 1% for every minute after the specified time. There are no makeups for weekly discussion question submissions when the absence is unexcused.

Students who, for reasons beyond their control, are unable to submit an assignment by its deadline must obtain approval from the instructor for an extension. Supporting documentation will be required as per the policy on missed tests and assignments.

## Statement on Equity, Diversity and Inclusion

The University of Toronto is committed to equity, human rights and respect for diversity. All members of the learning environment in this course should strive to create an atmosphere of mutual respect where all members of our community can express themselves, engage with each other, and respect one another's differences. U of T does not condone discrimination or harassment against any persons or communities.

## Commitment to Accessibility

The University is committed to inclusivity and accessibility, and strives to provide support for, and facilitate the accommodation of, individuals with disabilities so that all may share the same level of access to opportunities and activities offered at the University.

If you require accommodations for a temporary or ongoing disability or health concern, or have any accessibility concerns about the course, the classroom or course materials, please [email Accessibility Services](#) or visit the [Accessibility Services website](#) for more information as soon as possible. Obtaining your accommodation letter may take up to several weeks, so get in touch with them as soon as possible. If you have general questions or concerns about the accessibility of this course, you are encouraged to reach out to your instructor, course coordinator, or Accessibility Services.

## Plagiarism Detection

Normally, students will be required to submit their course assignments to the University's plagiarism detection tool for a review of textual similarity and detection of possible plagiarism. In doing so, students will allow their assignments to be included as source documents in the tool's reference database, where they will be used solely for the purpose of detecting plagiarism. The

terms that apply to the University's use of this tool are described on the [University's Plagiarism Detection Tool FAQ](#) page from Centre for Teaching Support & Innovation.

## Generative AI / ChatGPT

Students may choose to use generative artificial intelligence tools as they work through the assignments in this course; this use must be documented in an appendix for each assignment. The documentation should include what tool(s) were used, how they were used, and how the results from the AI were incorporated into the submitted work.

## Academic Integrity

Academic Integrity is a fundamental value essential to the pursuit of learning and scholarship at the University of Toronto. Participating honestly, respectfully, responsibly, and fairly in this academic community ensures that the U of T degree that you earn will continue to be valued and respected as a true signifier of a student's individual work and academic achievement. As a result, the University treats cases of academic misconduct very seriously.

[The University of Toronto's Code of Behaviour on Academic Matters](#) outlines the behaviours that constitute academic misconduct, the process for addressing academic offences and the penalties that may be imposed. You are expected to be familiar with the contents of this document. Potential offences include, but are not limited to:

In papers and assignments

- Using someone else's ideas or words without appropriate acknowledgement.
- Submitting your own work in more than one course without the permission of the instructor.
- Making up sources or facts.
- Obtaining or providing unauthorized assistance on any assignment (this includes collaborating with others on assignments that are supposed to be completed individually).

On test and exams

- Using or possessing any unauthorized aid, including a cell phone.
- Looking at someone else's answers.
- Misrepresenting your identity.
- Submitting an altered test for re-grading.

Misrepresentation

- Falsifying institutional documents or grades.
- Falsifying or altering any documentation required by the University, including (but not limited to) medical notes.

All suspected cases of academic dishonesty will be investigated by the procedures outlined in the [Code of Behaviour on Academic Matters](#). If you have any questions about what is or is not permitted in the course, please do not hesitate to contact the course instructor. If you have any questions about appropriate research and citation methods, you are expected to seek out additional information from the instructor or other U of T or RC resources such as the RC Centre for Professional Skills, the College Writing Centres or the Academic Success Centre.

## Email

At times, the course instructor may decide to communicate important course information by email. As such, all U of T students are required to have a valid UTmail+ email address. You are responsible for ensuring that your UTmail+ email address is set up and properly entered on ACORN. For more information visit the [Information Commons Help Desk](#).

Forwarding your utoronto.ca email to a Gmail or other type of email account is not advisable. In some cases, messages from utoronto.ca addresses sent to Gmail accounts are filtered as junk mail, which means that important messages from your course instructor may end up in your spam or junk mail folder.

## Recording Lectures

Lectures and course materials prepared by the instructor are considered by the University to be an instructor's intellectual property covered by the Canadian Copyright Act. Students wishing to record a lecture or other course material in any way are required to ask the instructor's explicit permission and may not do so unless permission is granted. Students who have been previously granted permission to record lectures as an accommodation for a disability are excepted. This includes tape recording, filming, photographing PowerPoint slides, Quercus materials, etc.

If permission for recording is granted by the instructor (or via Accessibility Services), it is intended for the individual student's own study purposes and does not include permission to "publish" them in any way. It is forbidden for a student to publish an instructor's notes to a website or sell them in any other form without formal permission.

## Weekly Schedule

Session	Date	Topic	Readings	Case
1	Sept 5/6	<b>Course Overview and Introduction to Private Equity</b>	Financing Entrepreneurial Ventures (HBP) Bain and McKinsey PE reports (Q)	
2	Sept 12/13	<b>Limited Partner Perspective - Portfolio construction and asset allocation</b>	Assessing Private Equity Performance (HBP) Calpers and Morgan Stanley reports (Q)	
3	Sept 19/20	<b>Private Equity Deal Criteria – Industry selection and thesis generation</b>	Measuring the Moat, Brookfield and Permanent Equity notes (Q)	<b>HBP:</b> Yale Investments Office
4	Sept 26/27	<b>Deal evaluation and due diligence tools – Industry selection and thesis generation; assessing risks and opportunities</b>	Porter's Five Forces (HBP) Damodaran slides (Q)	Transdigm inc. (HBP case + podcast link <sup>1</sup> and investment memo notes -)
5	Oct 3/4	<b>Valuation – Early and later stage businesses</b>	Valuing Late-Stage Companies and Leveraged Buyouts (HBP); Primer on Multiples Valuation and Its Use in Private Equity Industry (HBP) Working capital note (Q)	
6	Oct 10/11	<b>LBO Modelling – Cont'd</b>		Transdigm inc continued
7	Oct 17/18	<b>Structuring – Term Sheets and Comparing Financing Alternatives</b>	Early-Stage Term Sheets (HBP) Torys slides (Q)	
8	Oct 24/25	<b>Drivers of Value Creation – Revenue, Cost, Add-ons, and Exit</b>	Private Equity Exits (HBP) Verdad notes (Q)	<b>HBP:</b> Summit Partners and RoboSoft, LLC
9	Nov 7/8	<b>Management Perspectives – Evaluating Management Teams and Aligning Incentives / Final Exam Discussion</b>		<b>HBP:</b> Foster-SmartServices Merger-LBO

<sup>1</sup> <https://www.50xpodcast.com/episodes/>



10	Nov 14/15	<b>General Partner Perspectives</b> – <i>PE Firm Strategies, Fund Structures, and Incentive Mechanisms</i>	US Private Equity Firms: ESG and Impact (HBP) Various PE investor presentations (Q)	<b>HBP:</b> Rock Valley Physical Therapy
11	Nov 21/22	<b>Group Presentations</b>		
12	Nov 28/29	<b>Group Presentations/ Wrap Up</b>		

In addition to the cases listed above which students are required to review before class, there will be required supplementary readings for each class which are posted to Quercus.

**Please note that the last day you can drop this course without academic penalty is November 4, 2024.**



## Other Useful Links

- [Become a volunteer note taker](#)
- [Accessibility Services Note Taking Support](#)
- [Credit / No-Credit in RSM courses](#)
- [Rotman Commerce Academic Support](#)

## URL links for print

- ACORN: <http://www.acorn.utoronto.ca/>
- Email Accessibility Services: [accessibility.services@utoronto.ca](mailto:accessibility.services@utoronto.ca)
- Accessibility Services website: <http://studentlife.utoronto.ca/as>
- University's Plagiarism Detection Tool FAQ: <https://uoft.me/pdt-faq>
- The University of Toronto's Code of Behaviour on Academic Matters: <http://www.governingcouncil.utoronto.ca/policies/behaveac.htm>
- Information Commons Help Desk: <http://help.ic.utoronto.ca/category/3/utmail.html>
- Become a volunteer note taker: <https://studentlife.utoronto.ca/program/volunteer-note-taking/>
- Accessibility Services Note Taking Support: <https://studentlife.utoronto.ca/service/note-taking-support/>
- Credit / No-Credit in RSM courses: <https://rotmancommerce.utoronto.ca/current-students/degree-requirements/credit-no-credit-option/>
- Rotman Commerce Academic Support: <https://rotmancommerce.utoronto.ca/current-students/academic-support/>
- Book an appointment with a writing or presentation coach: <http://uoft.me/writingcentres>
- Writing and Presentation Coaching academic support page: <https://rotmancommerce.utoronto.ca/current-students/academic-support/writing-and-presentation-coaching/>
- Centre for Professional Skills Teamwork Resources page: <https://rotmancommerce.utoronto.ca/teamwork-resources>
- Book an appointment with a Teamwork Mentor: <http://uoft.me/writingcentres>