# COURSE OVERVIEW

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We welcome ideas to improve these course materials. Please email suggestions to coursematerials@agsm.edu.au.
PART A: Course-specific information

Course Staff

Course Coordinator and Facilitator: Stéphane Chatonsky, BA ESSEC Paris, MBA Wharton, FAICD

Phone: +61 414 748 158
Email: stephane@chatonsky.com
Consultation Times: will be discussed in class or by appointment

Stéphane is a co-founder and managing director of Ivest and has more than 15 years' experience as an investment and strategy leader with a blend of private equity, venture capital, investment banking, strategy consulting and corporate experience, with a strong Asian and emerging markets focus. Stéphane has experience across a broad range of industries, including financial services and insurance, healthcare, education, media, telecommunications, retail, consumer and business services.

Prior to co-founding Ivest, Stéphane was a General Partner at LeapFrog Investments, a leading emerging-markets private-equity fund and had overall responsibility for South-East Asia. Stéphane worked in principal investment and investment banking at Macquarie Bank and was a management consultant at McKinsey & Co focusing on financial services, media and telecommunication across the Asia-Pacific region. Prior to McKinsey, Stéphane was an investment banker at Lazard Frères & Co in Europe. Overall, Stéphane has taken a leading or central role in more than 30 private equity transactions.

Stéphane sits on the board of a range of internet and technology companies, supporting Australian entrepreneurs in their endeavours to disrupt industries, and drive efficiencies and customer value.

Stéphane is an Adjunct Faculty member of the Australian Graduate School of Management, an Honorary Fellow at Macquarie University and Tsinghua University and has taught Private Equity, Venture Capital and Valuation and Financial Modelling to postgraduate students in Australia, Singapore, China PRC and Hong Kong.

Stéphane is also a member of the expert panel of UNSW, specialising in issues of corporate finance, private equity, venture capital and corporate valuation. He has been retained as expert to $100+m civil claim.

Stéphane holds an MBA from the Wharton Graduate School and a BSc Economics from Essec (Paris). He is a Fellow of the Australian Institute of Company Directors.
Course Details

Teaching times and locations
The course consists of a 2-hour 50-minute class unit each week. Attendance and participation in this session is an important component of the course.

There are no tutorials for this course.

Updated information about class times and locations can be found on the AGSM website and by logging in to the Google Calendar.

Units of credit
The course is worth six units of credit.

Summary of course
This course seeks to help students understand what venture capital is, what venture capitalists do, the way venture capital organisations work and why/how they play such a significant role in the economy. This course will alternatively take the perspectives of the venture capitalist and that of the entrepreneur.

Course aims and relationship to other courses
Venture Capital is playing a critical role in shaping our economy and supporting innovation and economic growth. Yet very little is known and understood on how venture-capital firms operate.

This course is primarily geared towards students interested in corporate or entrepreneurial finance or entrepreneurship – specifically, students who wish to be working in venture capital or other private-equity organisations or alongside private equity and venture-capital investors, such as entrepreneurs, managers of firms financed by such investors, as investment bankers taking their firms public, or as fund managers investing in these funds.

The course essentially follows the ‘venture capital cycle’, focusing sequentially on the main financial and operational activities of venture capital: assessing opportunities, valuing ventures, negotiating and structuring investments, managing investments and exiting.

This course is an advanced corporate finance course and assumes a solid understanding of finance concepts.

The core Corporate Finance course or its equivalent is a prerequisite. Students without strong finance backgrounds who wish to take Venture Capital Finance are very strongly recommended to take the Advanced Managerial Finance (elective) course to support their knowledge of finance concepts used in venture capital finance.
Student learning outcomes

The Course Learning Outcomes are what you should be able to do by the end of this course if you participate fully in learning activities and successfully complete the assessment items.

The Learning Outcomes in this course also help you to achieve some of the overall Program Learning Goals and Outcomes for all postgraduate coursework students in the Business School.

Program Learning Goals and Outcomes

The UNSW Business School Program Learning Goals reflect what we want all students to be or have by the time they successfully complete their degree, regardless of their individual majors or specialisations. For example, we want all our graduates to have a high level of business knowledge, and a sound awareness of ethical, social, cultural and environmental implications of business. As well, we want all our graduates to be effective problem-solvers, communicators and team participants. These are our overall learning goals for you.

You can demonstrate your achievement of these goals by the specific outcomes you achieve by the end of your degree (e.g. be able to analyse and research business problems and propose well-justified solutions). Each course contributes to your development of two or more program learning goals/outcomes by providing opportunities for you to practise these skills and to be assessed and receive feedback.

Program Learning Goals for undergraduate and postgraduate students cover the same key areas (application of business knowledge, critical thinking, communication and teamwork, ethical, social and environmental responsibility), which are key goals for all UNSW Business School students and essential for success in a globalised world. However, the specific outcomes reflect different expectations for these levels of study.

We strongly advise you to choose a range of courses which assist your development of these skills, e.g. courses assessing written and oral communication skills, and to keep a record of your achievements against the Program Learning Goals as part of your portfolio.
Program Learning Goals are what we want you to be or have by the time you successfully complete your degree (e.g. ‘be an effective team player’). You demonstrate this by achieving specific Program Learning Outcomes – what you are able to do by the end of your degree (e.g. ‘participate collaboratively and responsibly in teams’).

### MBA Program Learning Goals and Outcomes

<table>
<thead>
<tr>
<th>Learning Goal 1:</th>
<th>Business Management Knowledge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Students should be able to identify and apply current knowledge of disciplinary and interdisciplinary theory and professional practice to general management and business within diverse situations.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Learning Goal 2:</th>
<th>Critical Thinking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Students should understand and be able to identify, research and analyse complex issues and problems in business and develop appropriate solutions.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Learning Goal 3:</th>
<th>Communication</th>
</tr>
</thead>
<tbody>
<tr>
<td>Students should be able to produce written documents and oral presentations that communicate effectively complex disciplinary ideas and information for the intended audience and purpose.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Learning Goal 4:</th>
<th>Teamwork</th>
</tr>
</thead>
<tbody>
<tr>
<td>Students should be able to participate collaboratively and responsibly in teams and to reflect upon their own contribution to the team and on the necessary processes and knowledge within the team to achieve specified outcomes.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Learning Goal 5:</th>
<th>Responsible Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Students should be able to appraise ethical, environmental and sustainability considerations in decision making and in practice in business.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Learning Goal 6:</th>
<th>Leadership</th>
</tr>
</thead>
<tbody>
<tr>
<td>Students should be able to reflect upon their own personal leadership style and the leadership needs of business and of teams.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Learning Goal 7:</th>
<th>International Perspective</th>
</tr>
</thead>
<tbody>
<tr>
<td>Students should understand the needs of undertaking business within a global context.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Learning Goal 7:</th>
<th>International Perspective</th>
</tr>
</thead>
<tbody>
<tr>
<td>Students should be able to apply business management knowledge to business situations within global markets with due recognition for differences in cultural, legal, commercial and other issues.</td>
<td></td>
</tr>
</tbody>
</table>
The following table shows how your Course Learning Outcomes relate to the overall Program Learning Goals and Outcomes, and indicates where these are assessed (they may also be developed in tutorials and other activities):

<table>
<thead>
<tr>
<th>Program Learning Goals and Outcomes</th>
<th>Course Learning Outcomes</th>
<th>Course Assessment Item</th>
<th>This learning outcome will be assessed in the following items:</th>
</tr>
</thead>
<tbody>
<tr>
<td>This course helps you to achieve the following learning goals:</td>
<td>On successful completion of the course, you should be able to:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 Business Management Knowledge</td>
<td>• Illustrate the key differences between the private and public financial markets</td>
<td></td>
<td>Individual assignment</td>
</tr>
<tr>
<td></td>
<td>• Apply the appropriate valuation method</td>
<td></td>
<td>Negotiation ‘game’</td>
</tr>
<tr>
<td></td>
<td>• Describe the responsibilities of directors of private companies, in particular in a private-equity/venture-capital context</td>
<td></td>
<td>Exam</td>
</tr>
<tr>
<td></td>
<td>• Explain the key determinants that drive the choice of IPO versus trade sale when exiting and in investment</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Understand how issues of culture and social mores affect negotiation in a private equity/venture capital context</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 Critical Thinking</td>
<td>• Explain why venture capital and private equity play an important role in the ‘real’ economy and financial markets</td>
<td></td>
<td>Class participation</td>
</tr>
<tr>
<td></td>
<td>• Determine which valuation method is most appropriate depending on the context of the valuation exercise, the nature of the opportunity and the stage of its development</td>
<td></td>
<td>Negotiation ‘game’</td>
</tr>
<tr>
<td></td>
<td>• Negotiate an appropriate investment structure, both from an investor and investee perspective</td>
<td></td>
<td>All three assignments</td>
</tr>
<tr>
<td></td>
<td>• Understand how venture capitalists and investors in general assess and manage risk</td>
<td></td>
<td>Exam</td>
</tr>
<tr>
<td>3 Communication</td>
<td>• Construct written work that is logically and professionally presented</td>
<td></td>
<td>All three assignments</td>
</tr>
<tr>
<td></td>
<td>• Communicate ideas in a succinct and clear manner</td>
<td></td>
<td>Exam</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Class participation</td>
</tr>
<tr>
<td>4 Teamwork</td>
<td>• Work collaboratively to complete a task or project</td>
<td></td>
<td>Two group assignments</td>
</tr>
<tr>
<td>5 Responsible Business</td>
<td>Not addressed in this course</td>
<td></td>
<td>Not assessed in this course</td>
</tr>
<tr>
<td>6 Leadership</td>
<td>Not addressed in this course</td>
<td></td>
<td>Not assessed in this course</td>
</tr>
<tr>
<td>7 International Perspective</td>
<td>• Understand how issues of culture and social mores affect negotiation in a private equity/venture capital context</td>
<td></td>
<td>Negotiation ‘game’</td>
</tr>
</tbody>
</table>
Learning and teaching activities

We believe that what you get out of this course is eventually fairly correlated with what you put in. We also believe that true adult learning happens while doing; this is experiential learning.

Consequently, the class will evidence a mix of lectures, discussion, group and individual activities. Students should expect their viewpoints and experiences to be sought after intensively during the class. In discussing topics in class, we place a high value on respect for one another’s points of view. At the same time, there may be instances, in the interests of meeting course objectives in a timely manner, when we will be unable to solicit input from every student who has a viewpoint.

A few principles and beliefs underpin the design and delivery of this course:

• it is about understanding, not memory, as what is memorised is easily forgotten whereas what is understood is in our mind forever
• what is hard is finding the question; the answer on the other hand is often obvious
• the real world is uncertain; few things are black or white – a management and finance course should reflect that reality
• there is value in starting from first principles, not assuming anything.

Students bring important expectations to the class. Minimally, you must expect to be prepared, enthusiastic, constructive and approachable. We all have our ‘off days’, but we will try to deliver on those expectations. Please contact the Class Coordinator and Facilitator if they are not ‘matching’ these expectations. Obviously, we will have more latitude for accommodation/reconciliation/adjustment if difficulties are addressed early in the course.

Assessment

Formal requirements

In order to pass this course, you must:

• achieve a composite mark of at least 50; and
• achieve a mark of at least 50 at the final exam
• make a satisfactory attempt at all assessment tasks.
Assessment details

<table>
<thead>
<tr>
<th>Assessment Task</th>
<th>Weighting</th>
<th>Length</th>
<th>Due Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group Assignment #1</td>
<td>10%</td>
<td>See below</td>
<td>Week 5 (13 October 2017)</td>
</tr>
<tr>
<td>Individual Assignment</td>
<td>15%</td>
<td>See below</td>
<td>Week 8 (3 November 2017)</td>
</tr>
<tr>
<td>Group Assignment #2</td>
<td>10%</td>
<td>See below</td>
<td>Week 11 (24 November 2017)</td>
</tr>
<tr>
<td>Class Participation</td>
<td>15%</td>
<td>N/A</td>
<td>Ongoing</td>
</tr>
<tr>
<td>Final Exam</td>
<td>50%</td>
<td>3 hours plus 15 minutes of reading time</td>
<td>University Exam Period – Week 13</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Assignments are to be submitted via Turnitin before the start of the class in the week when they are due.

You should answer the questions using the models, theories and methodologies that are taught in the units that are being assessed. You should not base your answer only on ‘common-sense’ or your own experiences. Where appropriate, your answers should briefly explore multiple points of view. You should also briefly identify any flaws in your own analysis.

It is recommended that any written answers are concise and make use of bullet points, tables and simple charts where appropriate. Make sure that your answers are neat and legible. It is better to write a concise but legible answer, than to write a long but illegible one.

Do not waste time merely summarising the case.

A suggested solution for each assignment will be given out and discussed in class. We will attempt to return the graded assignments promptly.

It is common for full-time MBA students to attempt to ‘haggle’ for extra marks after receiving their papers back. You should avoid this impulse and accept the mark that has been given unless you believe that a key element in your answer has been misunderstood or there has been an adding-up error.
Assignment preparation and submission

Unless otherwise stipulated in the specific details for each of your assignments, please prepare and submit your assignments in accordance with the following.

Assignment format

For consistency across all assignments, students are required to supply assignments in a standard format, which is detailed below. Assignments should always be submitted in Word format.

<table>
<thead>
<tr>
<th>Headings</th>
<th>Body text</th>
<th>Page setup</th>
</tr>
</thead>
<tbody>
<tr>
<td>Font: Times New Roman</td>
<td>Font: Times New Roman</td>
<td>Top: 2.54 cm</td>
</tr>
<tr>
<td>Font size: 12 points</td>
<td>Font size: 12 point</td>
<td>Bottom: 2.54 cm</td>
</tr>
<tr>
<td>Line spacing: Double</td>
<td>Line spacing: Double</td>
<td>Left: 3.17 cm</td>
</tr>
<tr>
<td>Text style: Bold</td>
<td>Text style: Normal</td>
<td>Right: 3.17 cm</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Header: 1.25 cm</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Footer: 1.25 cm</td>
</tr>
</tbody>
</table>

Note: The left and right margins are wider than the default margins in Word.

Paragraph breaks

First line indent: 1.27cm

Diagrams and tables

Students are encouraged to include diagrams and tables in their assessments, but must ensure they do not take up more than 20% of the total assignment.

Diagrams and tables must:

- be formatted with single line spacing
- be formatted with a minimum font size of 8 points
- be positioned vertically in between paragraphs.

Assignment file name

Please use the following naming convention for each assignment.

- z9999999_surname_[XXXX1111]_17s3_Ass1

where:

- z9999999 is your student ID – please insert your surname
- XXXX1111 is the course code
- 17s3 is the session name (2017, Session 3)
- Ass1 is the Assignment number (Ass2 for Assignment 2)
Assignment submission

1. You must submit your assignment through your online classroom as per the instructions in your LMS User Manual.

2. Assignment submission in your LMS is performed via Turnitin, the similarity detection software used by UNSW students and teaching staff to prevent plagiarism by ensuring referencing is correct and that work has not been inadvertently copied from elsewhere. You can access Turnitin under the ‘Assessments’ section in your Moodle course site.

3. For group assignments one nominated student should submit the assignment per group ensuring all team members’ names are included on the cover sheet.

4. You (or your group) are able to submit a draft version of your assignment prior to the due date. This enables you to view the Turnitin similarity report on your work and decide whether it complies with the guidelines regarding referencing and plagiarism, before you submit your final version for marking. More information about plagiarism can be found here: https://student.unsw.edu.au/plagiarism

5. Please note that draft assignments submitted in this way will be regarded as the final version at the due date if you have not uploaded a subsequent, finalised version (each file uploaded overwrites the previous version).

6. Late submissions are possible but will be marked as such and will be subject to late penalties of 5% of the assignment weighting for each day late. If for any reason you are unable to submit a late submission via Turnitin please contact your Facilitator or AGSM Student Experience.

7. Extensions to assignment deadlines will be granted only in exceptional circumstances, and where adequate supporting documentation can be provided. Please note that work commitments do not constitute grounds for an extension. Requests must be made through the special consideration process. For details about this process, see: https://student.unsw.edu.au/special-consideration

8. Assessment tasks, other than the major final assessment, will normally be reviewed, and feedback provided, within 10 working days of submission.

9. Please keep a copy of the assignment.

Quality Assurance

The Business School is actively monitoring student learning and quality of the student experience in all its programs. A random selection of completed assessment tasks may be used for quality assurance, such as to determine the extent to which program learning goals are being achieved. The information is required for accreditation purposes, and aggregated findings will be used to inform changes aimed at improving the quality of Business School programs. All material used for such processes will be treated as confidential and will not be related to course grades.
Group Assignment # 1: Case Study ‘AudienceView’

Assignment shall not exceed 10 pages excluding appendices.

This assignment is performed in groups. Those groups will consist of no fewer than three and no more than four students. More instructions will be given in relation to the formation of those groups during our first meeting.

The objective of this assignment is to apply the ideas and principles developed in Units 1 to 4 of the course (general overview and assessment of investment opportunities). More details of this group assignment can be found in the course schedule under Week 5.

Individual Assignment: The Venture Capital Method – Valuation Problem Set

This assignment is individual. As such, it cannot be discussed with other students.

The objective of this assignment, mostly quantitative in nature, is to apply the techniques developed in Units 5 and 6 of the course (valuation in a venture capital context).

Do not be fooled by the level of the first few questions. Certain questions are particularly challenging as they require you to go beyond what has been strictly discussed in class and to be imaginative in the way you solve the questions.

Note that soft copies of the spreadsheet for this assignment will not be accepted. Relevant tables will need to be converted to PDF or inserted into a Word document. Please do limit yourself to the relevant tables and calculations when you submit the assignment.

Group Assignment # 2: Case Study ‘WebTracker’

Assignment shall not exceed 10 pages excluding appendices.

This assignment is performed in groups. Those groups will consist of no fewer than three and no more than four students. Those groups will be the same as for the first group assignment unless previously discussed and agreed with the Course Coordinator and Facilitator.

The objective of this assignment is to apply the ideas and principles developed in Units 7 and 9 of the course (negotiation in a venture-capital context). More details of this group assignment can be found in the course schedule under Week 11.
Final exam

The final exam will take place in Week 13 at a time and location to be determined by the AGSM towards the end of the session.

The objective of the final exam is to test whether you have achieved the learning objectives of Units 1 to 12 of the course.

You will have 3 hours to complete the exam plus 15 minutes of reading time. In the reading time, you will be allowed to make handwritten notes on the question paper or your note paper, but will not be allowed to write in the answer booklet.

The exam is open book and you can refer to your course notes and/or summary notes. However, it is unlikely that you will have time to make extensive use of these materials. It is recommended that you only refer to one-page summaries of each unit. Computers and mobile phones must be switched off. If you need to use a calculator, then you must use an ordinary scientific calculator (and not your phone).

You should answer the questions using the models, theories and methodologies that are taught in the units that are being assessed. You should not base your answer only on common-sense or your own experiences. Where appropriate, your answers should briefly explore multiple points of view. You should also briefly identify any flaws in your own analysis.

It is recommended that any written answers are concise and make use of bullet points, tables or simple charts where appropriate. It is recommended that any quantitative answers make appropriate use of equations, graphs and tables.

Make sure that your answers are neat and legible. It is better to write a concise but legible answer, than to write a long but illegible one.

You will not receive back your mark for the exam, or your exam paper. AGSM will notify you of your final mark and grade for the subject.

Course resources

There is a course pack available for each student in the class. Copies of the slides used in the class will be distributed at the beginning of each class.

There is no textbook for this course.
Course evaluation and development

Mid- and end-of-session feedback is sought from students about the courses offered in the AGSM MBA Program, and continual improvements are made based on this feedback. The mid-session feedback is collected in Weeks 3 or 4, and communicated to students in the class following its collection. Significant changes to courses and programs within the Program based on end-of-session feedback are communicated to subsequent cohorts of students.

Course schedule

Week 1

Topics
Course introduction: Overview of the venture-capital industry and key definitions. During the next three units, we will consider the role of venture capital in the overall economy and how the venture-capital industry actually works as a whole. We will also briefly discuss some of the biggest successes and failures of venture capital. The case ‘Yale University Investment Office’ will support us in discussing the issue of asset allocation and overall private equity strategy from the point of view of ‘Limited Partners’.

Required Readings
- MECE
- Pyramid Principle – Summary
- Issue Tree (DRAFT)
- ‘How venture capital works’ by Bob Zider, Harvard Business Review
- Fact PE and VC explained, AVCAL
- ‘The basics of private equity funds’, Darden School of Business
- ‘Technical Note: The Private Equity Industry’, Kellogg

Suggested Readings
- ‘Pyramid Principle’, Barbara Minto
- ‘Why and how to invest in PE’, AVCAL
- ‘Global private equity 2017’, Bain & Co
- ‘Asia private equity 2017’, Bain & Co
### Week 2

**Topics**
- Overview of the venture-capital industry (continued) and ‘war stories’

**Required Readings**
- ‘Illuminate Ventures: Raising a venture fund’, Harvard Business School
- ‘A note on funding innovation in digital start-ups’, Harvard Business School
- ‘Fund formation and incentives report’, Private Equity International

**Suggested Readings**
- ‘Special Report Venture Capital, Prequin
- ‘Asia-Pacific private equity review’, PEI March 2012
- Milken Institute report
- ‘Persistence in VC capital returns’, Alignment Group
- ‘Long term investing as an agency problem’, CIFR
- 2016 Yearbook, AVCAL
- ‘A routinely exceptional year’, McKinsey
- ‘2016 Annual PE and VC fundraising report’, Pitchbook
- ‘2017 Global PE and VC fund benchmarking report’, Pitchbook

### Week 3

**Topics**
- Overview of the venture capital industry (continued)
- ‘Yale University Investments Office: February 2011’

**Required Readings**

**Suggested Readings**
- ‘Venture capital fact sheet’, AVCAL
- ‘Private equity fact sheet’, AVCAL

### Instructions for the class

Come ready to discuss the case in class. Case can be prepared with your study group.

1. How did the Investment Office decide the timing of when to make private equity investments? What explains the differences between their strategies in private equity with that in other asset classes (e.g. real estate)?
2. How did the Investment Office select, compensate and control private equity fund managers? What explains the difference between their strategies in private equity with that in other asset classes (e.g. real estate)?
3. How has the Investment Office’s approach differed across sub-classes of private equity investments? What explains the differences?
4. How is the private equity industry changing? How could Swensen’s private equity strategy go wrong?
5. Should David Swensen shift his private equity strategy?
### Week 4

**Topics**
- Assessment of investment opportunities: During this session, we consider the way investment opportunities are assessed by venture capitalists. We will focus on early-stage investments.

**Required Readings**
- ‘How to write a great business plan’, Harvard Business School
- ‘Top 10 lies of entrepreneurs’ Harvard Business School
- ‘Life in the half fast lane’, Technology Investor
- ‘Silicon Valley’s Sequoia says tech investing is all about the team’, AFR
- ‘How VC evaluate potential venture opportunities’. Harvard Business School

**Suggested Readings**
- ‘Best practices decisions among VC firms’, Harvard Business School
- ‘Airbnb original deck 2008’
- ‘Buffer original deck 2011’
- ‘Intrecon original deck 2011’

### Week 5

**Topics**
- Discussion of case ‘AudienceView’
- Valuation in a venture-capital context: We will start to consider the difficult and critical issue of valuation in a venture capital context. We investigate the challenges faced by venture capitalists when they want to value early-stage high-risk companies. We will describe the different valuation methods that professionals use and discuss the advantages and disadvantages of each of those methods.

**Assignment**

**Group Assignment #1: Case Study ‘AudienceView’**

Students will work on this assignment in their study group. Answers to the questions below are to be submitted via Turnitin and handed in at the beginning of class in Week 5. Keep a copy to refer to in the class discussion.

1. What information provided in the case makes this opportunity appear to be a good investment?
2. What information about the company gives you concerns?
3. What information do you need that you either don’t have or is very sketchy?
4. Identify which issues are the most important to come to grips with; that is, if you don’t get a positive answer, you would not go forward with the investment.
5. How would you go about getting the information you decide that you need?
**Week 6**

**Topics**
- Valuation in a venture-capital context (continued)

**Required Readings**
- ‘Funding new ventures: Valuation, financing, and capitalization tables’, Harvard Business School

**Suggested Readings**
- ‘Investment opportunities as real options: Getting started on the numbers’, by Timothy A Luehrman, Harvard Business Review
- ‘The basic of VC formula’, Harvard Business School
- ‘2016 Annual VC valuation report’, Pitchbook

**Week 7**

**Topics**
- Negotiation in a venture-capital context: We consider the broad issue of negotiation between the different players in the venture-capital industry, such as the venture capitalist, the entrepreneur looking for funding, the portfolio company. We will illustrate this issue through a role-play. We will then consider how venture capitalists invest in companies and contract with the entrepreneurs.

**Required Readings**
- ‘Venture capital negotiations: VC versus entrepreneurs’, Harvard Business School
- ‘Aspects of financial contracting in venture capital’, William A Sahlman
- ‘Negotiation tactics’, Brad Feld and Jason Mendelson DRAFT

**Suggested Readings**
- ‘Good and bad levers’, by Keith Fountain
- ‘Everything you ever wanted to know about convertible note seed financings’, Scott Edward Walker
- Seed Round - Template Shareholders Agreement
- Seed Round - Template Subscription Agreement

**Week 8**

**Topics**
- We will review the valuation problem set

**Assignment**
- Individual Assignment: ‘The Venture Capital Method – Valuation Problem Set’
- Students will work on this assignment individually. Focus on answering the questions fully, clearly and succinctly. Answers are to be submitted via Turnitin and handed in at the beginning of class in Week 8.
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<thead>
<tr>
<th>Week 9</th>
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<tbody>
<tr>
<td>Topics</td>
<td>Negotiation in a venture-capital context (continued)</td>
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<tr>
<td>Required Readings</td>
<td>‘Note on financial contracting: ‘Deals’, Harvard Business School</td>
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<td>‘Contracting and control in venture capital’, Harvard Business School</td>
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<th>Week 10</th>
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<tr>
<td>Topics</td>
<td>Managing investments and exiting: We consider how venture capitalists manage their</td>
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<td>investments. The concept of ‘value added services’ will be introduced. We will also</td>
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<td>analyse how venture capitalists exit from investments, in what ways it impacts the</td>
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<td>entrepreneurs, the raising of additional capital and the public markets themselves.</td>
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<tr>
<td>Required Readings</td>
<td>‘A Note on the initial public offering process’, Harvard Business School</td>
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<td>Suggested Readings</td>
<td>‘Engaging for growth’, The Boston Consulting Group</td>
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<td>‘Too soon to IPO?’ by David Champion, <em>Harvard Business Review</em></td>
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<td></td>
<td>‘PE &amp; VC Exits 2016 annual review’, PitchBook</td>
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<td>‘PE &amp; VC IPO 2016 annual review’, PitchBook</td>
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<th>Week 11</th>
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<tr>
<td>Topics</td>
<td>Speakers: Alan Jones, Blue Chilli, Perspective of a serial entrepreneur</td>
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<td>Required Readings</td>
<td>‘A Note on private equity securities’, Harvard Business School</td>
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<td>‘The early stage term sheet’, Darden School of Business</td>
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<th>Assignment</th>
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<tr>
<td></td>
<td>Group Assignment #2: Case Study ‘WebTracker’</td>
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<tr>
<td></td>
<td>Students will work on this assignment in their study group. Answers to the questions</td>
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<td>below are to be submitted via Turnitin and handed in at the beginning of class in Week</td>
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<td>11. Keep a copy to refer to for the class discussion.</td>
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<tr>
<td>1.</td>
<td>What are the primary differences and similarities between the two term sheets?</td>
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<td>2.</td>
<td>Which one do you prefer, and why? How do the reputations and characteristics of the two</td>
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<td>individual VCs and their firms factor into your choices?</td>
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<td>3.</td>
<td>Which terms would you attempt to negotiate with each VC and what would be your negotiation</td>
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<td>strategy?</td>
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<td>4.</td>
<td>How does your view of WebTracker’s growth and exit trajectory influence your decision as</td>
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<td>to whether you believe the scenario laid out by the founders? Do you see a merger/acquisition or IPO as the likely exit?</td>
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# Week 12

**Topics**
- We will review the case ‘Web Tracker’ Conclusion and Final Questions

**Required Readings**
- ‘Just how bad is IRR?’, Private Equity International
- ‘Money multiple and IRR too simplistic’, Private Equity International
- ‘Private equity changing perceptions and new realities’, McKinsey

**Suggested Readings**
- ‘McKinsey on reconciling returns’, Private Equity International
- ‘Asia Pacific private equity outlook’, Ernst & Young, November 2011
- ‘Internet Trends 2016’ Mary Meeker, KPCB
PART B: Key policies, student responsibilities and support

**Academic honesty and plagiarism**

The University regards plagiarism as a form of academic misconduct, and has very strict rules regarding plagiarism. For UNSW policies, penalties, and information to help you avoid plagiarism see: [https://student.unsw.edu.au/plagiarism](https://student.unsw.edu.au/plagiarism) as well as the guidelines in the online ELISE and ELISE Plus tutorials for all new UNSW students: [http://subjectguides.library.unsw.edu.au/elise](http://subjectguides.library.unsw.edu.au/elise)

To see if you understand plagiarism, do this short quiz: [https://student.unsw.edu.au/plagiarism-quiz](https://student.unsw.edu.au/plagiarism-quiz)

For information on how to acknowledge your sources and reference correctly, see: [https://student.unsw.edu.au/referencing](https://student.unsw.edu.au/referencing)

For the UNSW Business School Harvard Referencing Guide, see the Referencing and Plagiarism webpage (UNSW Business School > Students > How can we help? > Learning support > Resources > Referencing & plagiarism)

**Student responsibilities and conduct**

Students are expected to be familiar with and adhere to university policies in relation to class attendance and general conduct and behaviour, including maintaining a safe, respectful environment; and to understand their obligations in relation to workload, assessment and keeping informed.

**AGSM MBA Programs and UNSW policies**

In general, UNSW policies apply to staff and students of AGSM MBA Programs. Where there are additional points or procedures which apply specifically to AGSM MBA Programs they are set out on the AGSM website: [https://www.business.unsw.edu.au/agsm/students/resources/students-rights-responsibilities](https://www.business.unsw.edu.au/agsm/students/resources/students-rights-responsibilities)

If students are in doubt about the policy or procedure relating to a particular matter they should seek advice from the Student Experience.

Workload

It is expected that you will spend at least ten hours per week studying this course. This time should be made up of reading, research, working on exercises and problems, and attending classes. In periods where you need to complete assignments or prepare for examinations, the workload may be greater.

Over-commitment has been a cause of failure for many students. You should take the required workload into account when planning how to balance study with employment and other activities.

Attendance

Your regular and punctual attendance at lectures and seminars is expected in this course. For more information, see:
https://student.unsw.edu.au/attendance

General conduct and behaviour

You are expected to conduct yourself with consideration and respect for the needs of your fellow students and teaching staff. Conduct which unduly disrupts or interferes with a class, such as ringing or talking on mobile phones, is not acceptable and students may be asked to leave the class. More information on student conduct is available at:

Occupational health and safety

UNSW Policy requires each person to work safely and responsibly, in order to avoid personal injury and to protect the safety of others. For more information, see http://safety.unsw.edu.au/

Keeping informed

You should take note of all announcements made in lectures, tutorials or on the course web site. From time to time, the University will send important announcements to your university e-mail address without providing you with a paper copy. You will be deemed to have received this information. It is also your responsibility to keep the University informed of all changes to your contact details.
Special consideration and supplementary examinations

Any student dealing with exceptional circumstances due to illness, misadventure or business critical work/travel that affects submission of assessments or exams (performance or attendance), should complete an application for Special Consideration via the UNSW online system – see:
https://student.unsw.edu.au/special-consideration

A Professional Authority Form also needs to be completed prior to the online submission – see:

These applications are assessed by the AGSM Student Experience team.

Applications for Special Consideration must be received no later than three working days after an assessment task due date, or exam date.

Note that work, family, sporting and social commitments are not generally seen as being beyond a student’s control, and so would not normally be accepted as grounds for special consideration.

If your course has an exam, please note that students who are unwell are advised to not attend the exam, and instead obtain documentation from their doctor supporting their need to be absent from the exam. UNSW advises use of the Professional Authority Form –
https://student.unsw.edu.au/sites/all/files/uploads/group47/forms/ProfessionalAuthority.pdf – in this instance. They can then apply for Special Consideration to sit the Supplementary Exam (usually held seven days later). Once students see an exam, they cannot re-sit the exam for that course in the same session.

eLearning

To access Moodle, go to: https://moodle.telt.unsw.edu.au/login/index.php

Login with your student zID (username) and zPass (password).

Moodle eLearning support

Should you have any difficulties accessing your course online, please contact the eLearning support below:

For login issues:

UNSW IT Service Centre

Hours:  Monday to Friday: 8am – 8pm
Saturday and Sunday: 11am – 2pm

Email: ITServiceCentre@unsw.edu.au
For help with technical issues and problems:

External TELT Support

Hours:  Monday to Friday: 7.30am – 9.30pm  
        Saturdays and Sundays: 8.30am – 4.30pm

Email:  externaltehtsupport@unsw.edu.au

Phone:  Internal: x53331  
        External: 02 9385 3331  
        International: +61 2 9385 3331

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**Administrative and eLearning support**

**Student Experience**

If you have administrative queries, they should be addressed to Student Experience.

Student Experience  
AGSM MBA Programs  
UNSW Business School  
SYDNEY NSW 2052

Phone: +61 2 9931 9400

Email: studentexperience@agsm.edu.au

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**Additional student resources and support**

The University and the UNSW Business School provide a wide range of support services for students, including:

- **AGSM – Digital Resources and Tutorials**  

- **Business School Education Development Unit (EDU)**  
  https://www.business.unsw.edu.au/students/resources/learning-support

  Provides academic writing, study skills and maths support specifically for Business students. Services include workshops, online resources, and individual consultations.

  EDU Office: Level 1, Room 1033, Quadrangle Building.  
  Phone: +61 2 9385 5584; Email: edu@unsw.edu.au
- **UNSW Learning Centre**
  [www.lc.unsw.edu.au](http://www.lc.unsw.edu.au)
  Provides academic skills support services, including workshops and resources, for all UNSW students. See website for details.

- **Library services and facilities for students**
  [https://www.library.unsw.edu.au/study/services-for-students](https://www.library.unsw.edu.au/study/services-for-students)

- **UNSW Counselling and Psychological Services**
  Provides support and services if you need help with your personal life, getting your academic life back on track or just want to know how to stay safe, including free, confidential counselling.
  Office: Level 2, East Wing, Quadrangle Building;
  Phone: +61 2 9385 5418.

- **Disability Support Services**
  Provides assistance to students who are trying to manage the demands of university as well as a health condition, learning disability or have personal circumstances that are having an impact on their studies.
  Office: Ground Floor, John Goodsell Building; Phone: 9385 4734;
  Email: disabilities@unsw.edu.au