DEAR COLLEAGUE

ALTHOUGH THE LANDSCAPE HAS CHANGED – THE NEED FOR QUALITY TRAINING HASN’T

IFF has a global reputation for delivering training that immediately impacts the way the delegates work. Our courses are very practice-based. We want students to leave the course feeling that they have all the key skills necessary to function as a useful deal-team member. We want them to feel enthused and empowered and to have absorbed a skill-set which would take many years of on-the-job training. We do that by employing trainers who have years of experience in private equity and who will share their wealth of experience with you.

CUSTOMISED TRAINING

IFF’s bespoke training solutions will help you address your specific key business challenges. The programme is designed for you, with content focusing on the issues you and your teams are facing. The course can then be delivered at your choice of location face-to-face, digitally or a combination of the two.

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★ No travel or time out of the office – we will come to you
★ Value for money: train teams of staff at the same time
★ Risk free – we’ve been doing this for over 20 years

We will meet you anywhere in the world. If you would like one of our consultants to talk about your needs in more detail or if you would like more information on our customised training solutions, please contact Jeff Hearn (Managing Director) on +44 (0)20 7017 7190 or email jhearn@iirltd.co.uk

COURSES:

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Phone
+44 (0)20 7017 7190

Email
cs@iff-training.com

Online
www.iff-training.com
INTRODUCTION
A Brief History
• The different stages of investment – From start-ups to listed equity
  • Seed
  • Start-up
  • Expansion
  • Replacement capital
  • Buy-out
  • Listed

VENTURE CAPITAL – DEFINING CHARACTERISTICS
Market Participants
• Investors
  – angel investors
  – institutional funds
  – banks and other financial institutions
• Intermediaries
• Issuers

INVESTMENT STRUCTURES
Investment Funds
• Different roles in the partnership structure
  – general partners
  – limited partners
• The life cycle of a fund, from launch to return of capital
• The costs of investing
  – management fees
  – carried interest

Investment Strategies Explained and Illustrated
• Stage of investment
• Geography
• Sector
• Distressed/special situations
• Secondaries
• Fund-of-funds
• Mezzanine

Buy-Outs
• Leveraged buy-outs
• Management buy-outs
• Management buy-ins

INVESTMENT PROCESS
Investment Origination
• Finding investments: deal sourcing
• Choosing investments: the screening process

Analysis and Due Diligence
• Financial analysis
  – an overview of modelling – identifying potential pitfalls
  – use and calculation of Internal Rate of Return (IRR)
• Commercial analysis
  – verifying the opportunity
  – evaluating ability to execute
• Legal considerations

Understanding and Mitigating Different Types of Risk
• Operational risk
• Management risk
• Political risk
• Currency risk

Valuation and Pricing
• The International Private Equity and Venture Capital (IPEV) guidelines
• Market, income and replacement cost approaches to valuation
• Art vs. science: Identifying and understanding valuation pitfalls
• Bridging the expectation gap between investor and issuer

A PE fund and a VC fund

Structuring an Investment
• Structuring for optimised returns:
  – equity
  – debt
  – mezzanine
• Advanced forms of structuring
• The use of holding companies
• Domicile and tax optimisation

The Approval and Execution Process
• Non-binding indications and term sheets
• The role of the Investment Committee (IC)

Documenting a Transaction
• Key documents and their functions
• Terms and conditions:
  – warranties
  – covenants
  – conditions precedent

Managing the Investment
• The life-cycle of an investment
• Mechanisms of control
• When things go wrong

Realising the Investment - Exit Strategies
• Planning for exit
• The different exit routes:
  – trade sales
  – IPOs
  – alternative exit options

A PE fund and a VC fund
PRIVATE DEBT MASTERCLASS

The course will combine presentations, business cases, and interactive Q&A sessions. Active participation is encouraged, and practical exercises will be used.

Private Debt in Context
- What is private debt?
- Historical perspective and the emergence of a distinct asset class
- Who are the participants in the private debt market?
  - pension plans
  - foundations
  - insurance companies
  - fund of funds
  - endowments
  - asset managers
  - family offices
  - wealth managers
  - government agencies
  - others
- Why private debt? Issues include
  - 2008 credit crisis and bank regulation
  - quantitative easing
  - track record
  - diversification appeal
  - defensive nature of private debt
  - leveraged lending guidance
  - developments in alternative assets
  - pressure on PE management fees
  - not all private debt is illiquid

Structuring Issues for Private Debt Funds
- Private limited partners and general partners
- Partnership structuring issues
- General partner’s key activities
- Remuneration and compensation
  - management fees
  - carried interest
- Differences from private equity structures
  - investment allocation
  - hybrid features
  - leverage and fees

Private Debt Investment Process
- Programme design
  - strategic asset allocation process
  - portfolio construction and investment platform structuring
  - cash flow planning
- Implementation
  - fund sourcing
  - due diligence
- Ongoing tasks
  - monitoring
  - reporting

Classifying Private Debt
- Senior
  - infrastructure
  - senior real estate
  - senior direct
  - unitranche
- Junior
  - subordinated real estate
  - syndicated mezzanine
  - mezzanine
  - high yield
- Equity and equity linked
  - private equity co-investments
  - warrants

Private Debt Investment Strategies
- Direct lending
- Mezzanine
- Infrastructure debt
- Venture debt
- Distressed debt
- Credit special situations
- Bridge financing
- Other – e.g. active over all phases of the credit cycle
- Speciality finance

Private Debt Financial Instruments
- Bank loans, first lien
- Second lien
- Unsecured notes
- Subordinated debt
- Preferred shares
- Mezzanine finance
  - debt types of instruments
  - characteristics – PIK etc.
  - equity types of instruments
  - vendor debt

Valuation
- Why valuation is important in private debt
  - governance and capital attraction
  - regulation
- Comparison of private debt and public debt valuation
  - methodologies
  - data availability
- The private debt approach to valuation
  - payoff, timing and risk
  - determining credit spread
  - what affects risk
  - applicable regulations, standards, policies, and guidelines to consider
  - discount rate analysis to determine the cost of debt
  - using the discount rate to determine value
  - valuation challenges
- Guidelines on private equity valuations – International Private Equity and Venture Capital Valuation (IPEV) Guidelines

Private Debt Regulation
- Europe – AFIMD
  - purpose
  - scope
  - requirements
- US – The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank) and the Volcker Rule
  - purpose
  - scope
  - requirements
- ILPA
  - its role and trade association ‘regulation’
  - purpose and implications

Governance and ESG
- What is ESG – Environmental, Social and (corporate) Governance
- Why ESG factors are important in private debt
- Key ESG considerations for private debt
  - areas for improvement
  - pressure to implement
  - challenges in implementation

Commercial Applications
- Leveraged Buy Outs (LBOs)
  - review of LBO history, importance and rationale
  - LBOs and private debt structuring
  - requirements for LBO success
  - challenges with LBO private debt funding when problems arise, the case of iHeart Media
- Distressed debt, using a case relating to an energy business
  - valuing distressed debt and financial modelling
  - developing scenarios for a distressed company, e.g.
  - full recovery outside bankruptcy
  - sale of business based on its enterprise value
  - asset liquidation
  - importance of cash flow analysis and liquidity constraints
  - debt leverage and interest coverage ratios in relation to financial covenants
  - analysing the recovery value of the distressed debt

Development Initiatives
- Impact investing
  - private debt or fixed income instruments are the largest asset class in impact investing
  - why impact investing, including of performance
  - impact investing strategies:
    - direct investment
    - indirect investment via intermediaries
    - different types of financial instrument – mezzanine finance

Real-life examples of impact investment initiatives, e.g. Energy Access Debt Fund

- Venture debt
  - why venture debt

Real-life examples of venture debt, e.g. EIB funding new ways to treat cancer
DAY 1

Private Equity – the Context and Value Creation

• Introduction
• History
• What is private equity?
• The pros and cons of being private
• Credit crisis: impact and consequences on private equity
• Private equity investment strategies
  – leveraged buyouts
  – venture capital (early vs. late stage)
  – special situations (i.e. distressed)
  – mezzanine
  – secondary purchases
  – fund of funds
• How are PE funds structured?
  – private limited partners and general partners
  – partnership structuring issues
  – general partner’s key activities
• Selecting investments
• Structuring investments
• Monitoring investments
• Exiting investments
  – private equity partnerships and fundraising
  – private equity market
• Investors
• Intermediaries
• Issuers
  – partnership covenants
  – evaluating general partners
• Transaction origination
  – deal flow
  – origination
  – screening of deals
  – non-binding indications of interest

DAY 2:

Venture Capital

• The venture capital industry and other sources of funds for financing new ventures (including angel investors, banks and other institutions)
• Venture fundraising and characteristics of venture capital firms:
  – limited partnerships
  – corporate venture capital
• Characteristics of entrepreneurial ventures at different stages of development:
  – seed
  – start-up
  – expansion
  – mezzanine
  – buyout
  – turnaround
  – privately owned firm
  – newly listed firms
• The structure of financial contracts:
  – staging
  – syndication
  – forms of finance (debt, convertible debt, preferred equity, convertible preferred equity, common equity, warrants and combinations of these instruments)
  – board representation
  – restrictive covenants and confidentiality agreements
  – legal and institutional barriers to efficient venture capital financial contracting
• Exiting investments
• Venture capital and private equity investments in an international context

DAY 3:

Valuation, Capital Structure and Debt Capacity

• The private equity approach to valuation
  – comparison of public equity and private equity valuation
  – importance of the exit driven perspective
  – relation between active private equity management and valuation
  – guidelines on private equity valuations – International Private Equity and Venture Capital Valuation (IPEV) Guidelines
• Value creation in private equity and how do private equity firms create value?
  – minimise purchase price
  – maximise leverage
  – minimise liabilities purchased
  – manage transaction costs
  – improve business operations
  – maximise tax efficiency
  – optimise exit
• Valuation and what kind of value issues need to be considered;
  – absolute value
• What is the value of the
  – business/opportunity?
• What is driving the value? - Can the value drivers be identified and quantified?
• The importance of understanding the underlying business and how to build this around fundamental analysis
  – relative value
• What is the potential that can be extracted at exit
• How does this value differ from absolute value
• How can it be measured - learning from merger and acquisition best practice - analysing operational, financial and other (e.g. taxation) effects
• Importance of understanding Incremental Value Effect (IVE)
  – valuation architecture - analysing the business/ opportunity by building according to desires and needs rather than using the ‘standard’ model
• Complete overview of valuation theory
  – discounted cash flow valuation, including
  – Weighted average cost of capital
• Risk premiums and Beta
• Terminal value estimation
  – multiples based valuation
  – dividend discount and other models

Developing relative valuation models to assess IVE
• Capital structure and debt capacity
• Traditional approaches
• Contemporary approaches
  – link with cost of capital minimisation
  – link with issues re DCF analysis -methodology
• FCF to enterprise vs. equity and importance of understanding equity cash flows
• Sensitivities and identification of key value drivers
• Identifying the discount rate
• Debt maturity and repayment issues
• Terminal value challenges
• Assessing and challenging growth assumptions
  – triangulating value using alternative methodologies

Calculating debt capacity of a company

DAY 4:

Private Equity, Buy-Out Structures and Sourcing Funds
• Leveraged Buyouts (LBOs)
  – what is an LBO?
  – typical LBO structure
  – sources of financing
  – review of types of buyouts
• Management buyouts
• Management buy-ins
• Leveraged buyouts
  – evaluating a buyout candidate
  – financing a buyout candidate
  – key practical issues

Evaluating a buyout

• Sources of funds
  – equity
  – debt
• Bank debt
• Revolving credit facilities
• Term loans
• Bridge financing
• High yield bond debt
  – mezzanine financing instruments
• The valuation impact of different investment structures

DAY 5:

Due Diligence, Transaction Origination, Structuring, Documentation and Exit Strategies
• Due diligence
• Objective
  – validate business concept
  – verify market
  – appraise management
  – validate forecasts

• What is the due diligence process?
• The phases of due diligence
• Key topics for due diligence
  – business concept, opportunity
  – market
  – competition
  – customers
  – products
  – management and HR
  – financials
  – legal
  – regulatory
  – intellectual property
  – IT
• The main challenges of due diligence

Review: due diligence horror stories

• Transaction structuring and documentation
• Term sheets and purchase agreement
• Key sections of term sheets and purchase agreements
• Representations and warranties
• Covenants
• Closing conditions
• Deal process inside the PE firm
  – initial screening of deals
  – “heads up” memorandum
  – non-binding indications / term sheets
  – detailed due diligence and evaluation
  – formal and detailed presentation to the investment committee
  – final approval and funding
• Mechanisms of control
  – board representation
  – allocation of voting rights
  – control of access to additional financing
  – best practices
• Exit strategies
  – exit planning
  – review of Issues and Methods
• Sale
• Advantages and disadvantages
• The process
• Key success factors
• Estimating synergies - valuing existing businesses on a stand-alone basis and comparing them with the value of the combined businesses
• Importance of understanding different perspectives – control premium, valuation of synergies and perspective
• Valuing the acquisition target with synergies
• IPO
• Advantages and disadvantages
• Process
• Valuation challenges
• Pricing and allocation
• Aftermarket
• Recapitalisation
• Review
VENTURE CAPITAL
A practitioners guide to this exciting asset class

A Brief History
• History
• Relationship with private equity and how it differs from private equity – VC as an asset class

Venture Capital as an Investment Opportunity
• The pros (and cons) of being private
• Opportunities in the market, including:
  – low interest rates
  – networking - Silicon Valley Model
• Credit crises, impact and consequences for venture capital, including:
  – cheap money
  – opportunity to ‘seek alpha’

VC and the Financing Life Cycle
• Understanding different types of VC investment – risks, rewards and challenges:
  – seed
  – start-up
  – early stage
  – late stage
• The J Curve
  – significance
  – recent developments

The VC Market Place
• Locations and characteristics:
  – USA
  – Europe
  – China
  – developing markets
• Participants
  – entrepreneurs
  – angel investors and early stage:
    • role
    • characteristics
  – developments – e.g. crowd funding
  – venture capital funds:
    • importance
    • rationale
    • management of a private equity fund
      • role of limited liability partnerships
      • limited and general partners
    • structuring and rewards
    – fundraising:
      • key issues
      • process overview, early process and deep process
      • partner meetings
      • term sheets
      • post-term sheet diligence
      • close
    – importance of ESG
  – corporate venture capitalists:
    • importance
    • rationale
    • characteristics
    • structuring
  – Development finance institutions (DFIs), Sovereign wealth funds (SWFs) and development banks
    • Importance
    • Rationale
    • Beyond just for profit
    • Illustrative important initiatives, e.g. impact investing

Venture Capital as a Joint Venture Investment Decision
• Screening of venture capitalist by the entrepreneur
  – approach of the venture capitalist
  – terms and conditions
  – exit policy
  – availability of funds
  – past history of the venture capitalist
• Screening of entrepreneur and the proposal by the venture capitalists
  – fundamental analysis
  – financial analysis
  – portfolio analysis
• Criteria for investment:
  – technical feasibility
  – commercial viability
  – technical and managerial competence
  – long run competitive advantage
  – future prospects
  – availability of inputs
  – legality of the proposal

VC Finance Options – Choices and Reasons
• Preferred equity
• Convertible preferred equity
• Common equity
• Warrants
• Debt
• Convertible debt
• Mezzanine finance
  – definition
  – types
  – advantages and disadvantages

Value Creation From a Venture Capital Investment
• Traditional three stage view exit focus view– buy low, grow, sell high
• Meeting the challenges of value creation in venture capital:
  – excellence in due diligence
  – minimise purchase price
  – maximise leverage
  – minimise liabilities purchased
  – manage transaction costs
  – achieve growth
  – improve business operations
  – maximise tax efficiency
  – optimise exit

The Changing Face of Venture Capital
Issues for consideration include:
• Changing characteristics of the traditional buy, hold and sell model
• Game changers in venture capital – lengthening the J curve and unicorns

Seed, Start-up and Very Early Stage Businesses
• Understanding and managing the key challenges, including:
  – no visibility
  – understanding intrinsic value
  – how to value existing assets
  – understanding cash burn
  – assessing the future of the business and potential growth rates
  – understanding and quantifying risk for small fast growing businesses
VENTURE CAPITAL
continued...

– estimation of discount rates for pure equity financed businesses
– how and when to calculate any terminal value
– assessing equity claims
• Due diligence
  – importance of commercial due diligence of the business plan
  – tools for challenging commercial viability, e.g.
    • critical differentiator analysis
    • environmental analysis – PESTEL
    • business analysis – SWOT
    • industry analysis
• Significance of valuation
  – venture capital method – principles and illustration of application
  – deferred valuation, venture debt and its structuring
• Issues in valuing a start-up or early stage business in practice, including:
  – primary errors made in valuing early stage businesses
  – undertaking macro and micro analysis
  – top down versus bottom up approaches
  – assessing potential product success and achievable market share
• Relevance and application of DCF valuation method:
  – value drivers
  – analysing value drivers
  – developing a ‘scratchpad model’
  – ensuring consistency in a valuation
  – intrinsic and extrinsic multiples
  – real options and their potential impact on valuation

MINI CASE ILLUSTRATIONS
Seed, start-up and very early stage businesses
• PAL-V Flying car – Netherlands
• ILI Education Technology – UK
• Relogistics – Netherlands
• DW Spas – Germany, Hong Kong, Macau
• Reiseido Luxury Spas – Spain
• Premchit Spa Cosmetics – Thailand
• Caribestate.com – Caribbean

Later Stage VC Businesses
• Companies and the corporate life cycle – relevance to late stage VC businesses
• Importance of valuation to later stage VC businesses
  – equity positions
  – fund growth from external parties
  – exit
• How does a pre IPO valuation differ from a start-up?
• Valuation issues
  – historic numbers can be misleading, or may not be available
  – how assets differ in a rapid growth business
  – most value is created by a rapid growth company in the growth phase
  – challenges of potential capital intensity in the rapid growth business
  – the importance of understanding risk during the growth phase
  – terminal value for a rapid growth business preparing for IPO – how to estimate
  – relative valuation challenges
  – peer groups – criteria for selection
  – finding similar growth businesses – use of different sectors
  – Valuation issues in in practice
  – main errors made in valuing growth businesses
  – dealing with immature markets
  – assessing product cycles
  – valuing the operating assets through the growth of the business
  – how operating asset lives develop in the high growth phase
  – ensuring consistency in a valuation
• reinvestment and growth
• assessing investment requirements – the returns and reinvestment equation
• completing the valuation – combining returns and risk in a model

Structuring Venture Capital – Legal and Negotiation Issues
• Recognising and managing potential conflicts of interest arise between entrepreneurs
  – split of the financial return of the company
  – liquidation of the company
  – control of the company
• Rights and protections allow the VCs to gain liquidity and maximise the return for their investors
  – liquidation rights
  – management participation and control
  – exit rights.
• Venture capital documentation
  – key documentation to map the process by which a venture capital deal will be negotiated and ultimately agreed
    • the term sheet
    • subscription agreement
    • shareholders’ or investors’ rights agreement
    • articles of association
• Minority protections
  – negative covenants
  – positive covenants
  – board representation
  – control triggers
  – tag along clause
  – share transfers
  – pre-emption rights
  – leavers

Exit Strategies
• The importance of exit planning – timing and structuring
• Review of methods
  – secondary sale (buyout)
  – trade sale
  – strategic sale
  – entrepreneur sale
  – floatation/IPO method
• Review of issues
  – advantages and disadvantages
  – the process
  – key success factors
  – importance of understanding different perspectives
  – relevance of understanding synergies/control benefits and their inclusion in analysis

Later stage VC - Uber

CASE STUDY
start-up to exit
• Systems Union
• Marketo

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OPTION OF A POSTGRADUATE CERTIFICATE WITH MIDDLESEX UNIVERSITY

We are giving you the unique opportunity to choose an validated option for this course and receive a postgraduate certificate on completion. This is a Middlesex University qualification, jointly developed by Middlesex University and IFF, and quality assured by Middlesex University. However, if university validation isn’t important to you there is still the opportunity to take the standard non-validated course.

WHAT DOES THE CERTIFICATE ENTAIL?
In addition to studying the eight units and passing eight self assessment tests after each unit, you will need to submit a 5000 word assignment at the end of the course which will be assessed. The assignment will be a cumulative project that you will work through and build upon during each stage of the course.

If you wish to book on the certification course there will be an assessment fee of £300.

ENTRY REQUIREMENTS
Participants wishing to undertake the Postgraduate Certificate are required to have a degree or equivalent qualification (or relevant work experience).

Participants wishing to undertake the course but not receive the Postgraduate Certificate are not required to have any formal qualifications.

ABOUT OUR PARTNER MIDDLESEX UNIVERSITY

History
Middlesex University is a large London based university with a history in higher education dating from 1878. In 1992 it was granted the Royal Charter making it a university. The university offers a broad range of courses through four academic schools of Arts and Education; Business; Engineering and Information Sciences; Health and Social Sciences and their Institute for Work Based Learning.

Middlesex University has over 34,000 students studying on its courses worldwide, both at its own campuses and also with partner institutions, making it one of the largest providers of British university education to international students. Middlesex University has a long history of successful collaborations with the corporate sector. It was the first academic institution to develop industry specific MBA programmes (Shipping & Logistics and Oil & Gas) delivered 100% by distance learning.

INTERNATIONAL REACH
Middlesex University is committed to meeting the needs and ambitions of a culturally and internationally diverse range of students by providing challenging academic programmes. It has a major international business school based in London with overseas campuses in Dubai and Mauritius and a global portfolio of partnerships delivering high quality validated programmes in business and management.

Staff and students come from a wide spectrum of cultures and backgrounds with a common interest in executive education that is world class, modern and applicable. Middlesex University Business School is proud of its dedicated teachers and its rich range of learning resources including distance learning and virtual learning environments.

BENEFITS OF STUDYING FOR A POSTGRADUATE CERTIFICATE WITH US

A MIDDLESEX POSTGRADUATE CERTIFICATE:
- Is project based and practical
- Offers networking opportunities during and after the course
- Provides exceptional teaching staff
- Delivers applied learning experiences
- Combines academic rigour with individual support

HOW IS THE COURSE VALIDATED?
This programme is quality assured by Middlesex University and after successfully completing your studies you will receive a Postgraduate Certificate from Middlesex University. Middlesex Certificates are recognised worldwide.

QUALITY
The Quality Assurance Agency (QAA) visited Middlesex in 2015 and noted in its report that its auditors had confidence in the University’s current and likely future management of its academic standards and of the learning opportunities available to students.

THE UNIVERSITY IS A MAJOR PROVIDER OF BUSINESS AND MANAGEMENT EDUCATION, WITH AN IMPRESSIVE TRACK RECORD OF WORKING IN PARTNERSHIP WITH THE PUBLIC AND THE PRIVATE SECTOR, AS WELL AS INTERNATIONAL ORGANISATIONS
THE MECHANICS OF PRIVATE EQUITY
A complete modular guide to the practicalities of Private Equity

DELIVERED BY DISTANCE LEARNING OVER 16 WEEKS
This intensive course will provide you with a thorough overview of the different components of private equity. Comprising of eight intensive modules, it will prove invaluable to all looking to develop their theoretical and practical understanding of private equity.

Unit 1 – Fundamentals of Private Equity and Venture Capital

Introduction to Private Equity and Venture Capital
- Introduction, definitions and history
- What is the difference between venture capital and private equity?
- The pros and cons of being private
- Why private equity – potential to add value from better governance, financial, and operational initiatives
- Credit crises, their impact and consequences for private equity
- Private equity and venture capital today and its changing face
- Importance of understanding the J curve
- Private equity investment strategies:
  - leveraged buyouts
  - venture capital (early vs. late stage)
  - special situations (i.e. distressed)
  - mezzanine
  - secondary purchases
  - fund of funds

Private Equity Investment Structures
- The private equity industry and sources of funds for financing new ventures, including - angel investors, banks and other institutions
  - how are private equity and venture capital funds structured?
  - private equity - limited partners and general partners
  - partnership structuring issues
  - general partner’s key activities
  - selecting investments
  - structuring investments
  - monitoring investments
  - exiting investments
  - private equity partnerships and fundraising
  - private equity market
    - investors
    - intermediaries
    - issuers
- partnership covenants
- evaluating general partners
- The life cycle of a fund, from launch to return of capital
- The costs of investing
  - management fees
  - carried interest

Unit 2 – Investment Process, Due Diligence and Risk Mitigation

Investment Process
- Investment origination in terms of finding investments: deal sourcing
  - Choosing investments - the screening process, screening criteria and selection

Understanding, Identifying and Mitigating Different Types of Risk
- Strategic risk
- Operational risk
- Management risk
- Political risk
- Currency risk

Analysis and Due Diligence
- Importance of financial and valuation analysis
  - identification of key value drivers and identifying potential pitfalls
  - use and calculation of Discounted Cash Flow measures - Net Present Value/Internal Rate of Return (IRR)
- Commercial analysis
  - verifying the opportunity
  - evaluating ability to execute
  - Legal considerations

Unit 3 – Valuation and Pricing

Valuation and Pricing Considerations
- The difference between value and price
- Companies and the corporate life cycle and the impact on valuation
- Why value?
  - equity positions
  - fund growth from external parties
  - exit
  - remuneration base
- Review of valuation approaches:
  - intrinsic valuation – traditional Discounted Cash Flow (DCF) techniques and challenges in application, including a review of equity and entity valuation
  - relative valuation – multiple based analysis – revenue, profit, cash, asset - and challenges in application
  - probabilistic valuation – sensitivity analysis, scenario analysis, decision trees and simulations
  - real options valuation – potential value created from additional options

Private Equity Valuation
- The private equity approach to valuation
  - comparison of public equity and private equity valuation
  - importance of the exit driven perspective
  - relation between active private equity investment and valuation
  - guidelines on private equity valuations
    - International Private Equity and Venture Capital Valuation (IPEV) Guidelines
- Value creation in private equity and how private equity firms create value
  - minimise purchase price
  - maximise leverage
  - minimise liabilities purchased
  - manage transaction costs
  - improve business operations
  - maximise tax efficiency
  - optimise exit
- Valuation and what kind of value issues need to be considered;
  - absolute value
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  - the importance of understanding the underlying business and how to build this around fundamental analysis
  - relative value
  - what is the potential that can be extracted at exit?
  - how does this value differ from absolute value?
  - how can it be measured - learning from merger and acquisition best practice - analysing operational, financial and other (e.g. taxation) effects
  - importance of understanding Incremental Value Effect (IVE)
  - valuation architecture - analysing the business/opportunity by building according to desires and needs rather than using the 'standard' model

Unit 4 – Leverage and Buyouts

Capital Structure and Debt Capacity
- Private equity and leverage
- Leverage as a strategy
- Traditional approaches to evaluate leverage
- Contemporary approaches to evaluate leverage
  - link with cost of capital minimisation
  - link with issues re DCF analysis - methodology
  - free Cash Flow (FCF) to the enterprise vs. to equity, and the importance of understanding equity cash flows
  - sensitivities and identification of key
Opportunities – Valuation
Challenges in Evaluating Venture Capital

Venture Capital in Perspective

• What is the difference between venture capital and private equity?
• Why be a venture capitalist – potential to add value from better governance, financial, and operational initiatives
• Venture capital today and its changing face – Silicon Valley Model
• Importance of understanding the J curve
• Venture capital investment strategies, including:
  – seed
  – start-up
  – expansion
  – mezzanine

Challenges in Evaluating Venture Capital Opportunities – Valuation

• A life cycle view of companies
• Characteristics of young companies and sectors
• Valuation issues – relative valuation – problems with multiple analysis – determining the starting point – revenue multiples vs. profitability multiples – identifying potential stability for multiple calculation
• Valuing a start-up or early stage business in practice

Unit 5 – Venture Capital

• Valuing a start-up or early stage businesses
• Valuation issues – relative valuation
• Characteristics of young companies
• A life cycle view of companies
• What is the difference between venture capital and private equity?
• Why be a venture capitalist – potential to add value from better governance, financial, and operational initiatives
• Venture capital today and its changing face – Silicon Valley Model
• Importance of understanding the J curve
• Venture capital investment strategies, including:
  – seed
  – start-up
  – expansion
  – mezzanine

Calculating debt capacity of a company

Unit 6 – Structuring and Restructuring Private Equity Investments

Structuring Private Equity Investments

• Structuring for optimised returns
• Equity – important distinction between public and private equity for structuring purposes
• Debt – broad range of types, particularly venture debt
• Debt, equity and mezzanine - what is the difference
• What is Payment-In-Kind (PIK) debt
• What is mezzanine finance
• Why mezzanine finance is important in private equity
• What forms can mezzanine finance take
• Importance of mezzanine finance, particularly as a development tool

Distress and Restructuring

• Distress and restructuring as a potential private equity opportunity
• What are the types of company distress
• What is equity cure
• What is financial restructuring
• What is a ‘hair cut’ and how does it work
• Powers of a secured lender
• Tools to restructure a balance sheet
• Equity investors, the impact of distress and the options available
• Management and restructuring?

Unit 7 – Deal, Approval Process, Execution and Documentation

Key Elements of The Deal, Approval and Execution Process

• Deal process inside the PE firm
  – initial screening of deals
  – “heads up” memorandum
  – non-binding indications / term sheets

– primary errors made in valuing early stage businesses
– undertaking macro and micro analysis
– assessing potential product success and achievable market share
– top down vs. bottom up approaches
– bottom up approach to a valuation
– estimating and using different discount rates – theoretical vs. practical perspective
– single vs. phased discount rates
– discount rates as maturity approaches and mean reversion
– ensuring consistency in a valuation
– intrinsic and extrinsic multiples
– real options and their potential impact on valuation
– detailed due diligence and evaluation
– formal and detailed presentation to the investment committee
– final approval and funding
• The role of the Investment Committee (IC)

Documenting a Transaction

• Key documents and their functions
• Term sheets and purchase agreement and the key sections thereof
• Representations and warranties
• Covenants
• Conditions precedent
• Closing conditions

Unit 8 – Managing and Realising Private Equity Investments

Managing the Investment

• The life-cycle of an investment
• Mechanisms of control
  – board representation
  – allocation of voting rights
  – control of access to additional financing
• Best practices
• Planning for problems

Realising the Investment - Exit Strategies

• Exit planning
• Review of methods and issues
  – types of sale:
    > trade sale
    > strategic sale
    > fire sale
    > secondary sale
  – advantages and disadvantages
  – the process
  – key success factors
  – estimating synergies - valuing existing businesses on a stand-alone basis and comparing them with the value of the combined businesses
  – importance of understanding different perspectives – control premium, valuation of synergies and perspective
  – valuing the acquisition target with synergies
• Initial Public Offering (IPO)
  – advantages and disadvantages
  – process
  – valuation challenges
  – pricing and allocation
  – aftermarket
• Recapitalisation
PRIVATE EQUITY TRAINING

TO REGISTER:

Tel
+44 (0)20 7017 7190

Email
cs@iff-training.com

Online
www.iff-training.com

International Faculty of Finance
Knect House, 30-32 Mortimer Street
London W1W 7RE

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