McDonough School of Business                     Georgetown University
Private Equity                                    2012 Fall Semester
FINC-575-20                                        Monday 6:30-9:20 pm Hariri 250

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Office Hours:  Monday, Wednesday 3-4 pm
               Other times by appointment

Final Examination:  Take-Home Exam
Prerequisite: MBA Students Only
Assistant: Laura Schofield, (202) 687-3796, les88@georgetown.edu

Course Content

Alternative Investments globally have grown tremendously as an asset class. In the last few years, the
growth and volatility in this sector has been remarkable but some questions have been raised about the
long-term global prospects. The course will provide an understanding of the global private equity
market, market participants, financial strategies, value creation, leveraged buyouts, deal structuring,
and exit strategies. We will also discuss the role of PE in global capital markets, including the entrance
of new participants, such as, sovereign wealth funds. This is a finance course and the focus is on
financial strategies and deals, however, the course will bring in elements of strategy, management, and
entrepreneurship.

The format of the course is not a typical lecture format. Lectures will be supplemented by live deals in
the form of case studies and a number of guest speakers from industry. Please note that confidential
materials will be made available by our guests. These materials must be considered confidential
by you, and are not to be used for any other purpose except those directly related to this
particular course. The materials must not be distributed or shared with anyone.

It is assumed that you know the basics of valuation and are very comfortable in using spreadsheets to
do forecasting. Please keep in mind that the pace of the course will be quite rapid and demanding. You
are expected to have completed the readings and assignments in advance and come well-prepared to
class to actively participate.

Required Texts and Readings

There are no required textbooks. Course material will be put up on Blackboard. You are expected to
make full use of Blackboard. It will be used regularly for announcements/assignments/lecture
notes/readings/cases.
Additional Resources
http://pitchbook.com/
http://www.pegcc.org/
http://www.asiape.com/
http://www.lavca.org/
http://www.preqin.com/
http://www.empea.org/
http://www.pehub.com/


Class Participation

You must display your name tags in each class else it will be assumed that you were absent. You must bring your I-Clicker to each class so that you can participate in class and your participation can be recorded.

Active class presentation is a must for this course. You can participate actively only if you have prepared the material for the class in advance. Everyone is expected to participate in discussion of course material, cases, and assignments. If you are not present in class then you obviously cannot participate. It is important that you express your ideas and also ask questions. Several students will be cold called during each class and you must be prepared at all times.

I-Clicker will also be used to track class participation. Throughout class we will ask certain questions that must be answered using the clicker. You will get 50% credit for just answering the question even if the answer is incorrect. Cheating in the use of the clicker will be considered similar to cheating on an exam. Only you should click responses in your clicker. You should not communicate with anyone else about the answers to a clicker question during class.

You are encouraged to bring your laptop to class. However, when guest speakers are presenting, if you are “playing” on your laptop, we can easily pick it up, and this will definitely impact your class participation grade negatively.

Honor Code

Please make sure that you have read and understood the Academic Integrity System for McDonough School of Business Graduate Programs. This document is available on the MSB Intranet. In order to avoid any confusion, please understand: Individual assignments may not be discussed with anyone at any point except with the faculty. Group assignments may only be discussed among your group members. Students seeking assistance and also students providing assistance are committing the same violation.
Cases

Case analysis must be typed and brought to class on the due date. For each case, a list of suggested questions/issues will be provided. The analysis should be limited to 3-4 pages of text; you may attach additional work such as, graphs, tables, excel worksheets in an appendix. In terms of grades, the depth of the analysis is important. You must be completely prepared to discuss the deals/issues that will be presented by the guest speakers. As appropriate, background material will be posted on Blackboard in advance.

Work that is turned in late will not get credit. *For group assignments, each group should have no more than 5 students.* Please make sure all members of the group are contributing. Each group is expected to work independently on the analysis and not discuss the assignment with other groups. Individual assignments cannot be discussed with anyone except the instructors.

Course Grades

<table>
<thead>
<tr>
<th>Assignment</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Skype (group)</td>
<td>15%</td>
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<tr>
<td>AAC Buyout (group)</td>
<td>20%</td>
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<tr>
<td>Booz Allen Initial Buyout and Subsequent IPO (group)</td>
<td>15%</td>
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<tr>
<td>Class Participation and Brief Questions for Speakers (individual)</td>
<td>10%</td>
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<tr>
<td>Valuing a Cross-Border LBO: Bidding on the Yell Group (individual)</td>
<td>40%</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td><strong>100%</strong></td>
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Tentative Schedule

**WEEK 1 (Oct. 29): Private Equity – Overview, Financing**

- Current State of the Industry, Global Trends, Recent Developments
- Financing
  - *Speaker: Randy Schwimmer, Managing Director, The Carlyle Group*

**Assignment for 11/5:**

- Go over buyout modeling Excel files
- Skype Carve-Out (group)

**WEEK 2 (Nov. 5): Carve-Outs; LBO Model**

- Carve-Out Case Study: Skype
  - *Speakers: Egon Durban, Managing Partner, and David Roux, Co-Founder, Silver Lake*
- Valuation; Nuts and Bolts of LBO Modeling
- American Access Care (middle market deal): Introduction and Buyout Template
Assignment for 11/12:
- Booz Allen Hamilton Case Study (group) – Buyout, IPO, post-IPO

WEEK 3 (Nov. 12): Entry and Exit; PE Contracting and Fund Raising
- Booz Allen Hamilton: Buyout by Carlyle, IPO, post-IPO
  Speaker: Peter J. Clare, Managing Director and Co-head of the U.S. Buyout Group, The Carlyle Group
- Structuring a Private Equity Fund
  o PE Contracting; GPs and LPs
  o Compensation

Assignment for 11/19:
- AAC Valuation due (group)

WEEK 4 (Nov. 19) Deal Structuring; Valuation Outcome; Skype Exit
- Deal Structuring – Deal Sourcing, Due Diligence, Hiring a Team
  Speaker: Jonathan Lynch, Managing Director, CCMP Capital Advisors
- AAC Case Valuation/Outcome Discussion; Skype Exit Discussion

Assignment for 11/26:
- Compensation Exercise (individual)
- Brief questions for speakers (individual)

WEEK 5 (Nov. 26): Turnaround Investing; Institutional Investors
- Turnaround Investing – Deal Analysis: WWRD Holdings (Waterford, Wedgwood, Royal Doulton)
  Speaker: Michael Psaros, Co-Founder and Managing Partner, KPS Capital Partners
- Institutional Investor Perspective
  Speaker: Ralph Money, Managing Director, Common Fund Capital, Inc.

Assignment for 12/3:
- Brief questions for speaker (individual)

WEEK 6 (Dec. 3): Changing Structure of PE
- Globalization and Changing Structure of Private Equity: The Blackstone Group
  Speaker: Laurence Tosi, Chief Financial Officer, The Blackstone Group
• Course Review
• Introduce Yell Group case

Assignment due 12/15:
• Valuing a Cross-Border LBO: Bidding on the Yell Group (individual)
Assignment Questions

You are not limited to the questions suggested below but at a minimum you must address these issues.

**BRIEF QUESTIONS FOR SPEAKERS**

- You should research the speaker’s firm and topic of talk, and list 2-3 questions (in bullet points) that you would like to ask them. Please submit the questions on Blackboard by 5 pm the day **before** the class.

**SKYPE**

- See Case in package

**AMERICAN ACCESS CARE**

- How should American Access Care be valued?
- How should the transaction be financed?
- How can TA Associates create value in this deal?
- You need to do a complete valuation analysis of the deal.

**BOOZ ALLEN**

**Initial Buyout**

- Why would Booz Allen consider separating its commercial and Government business?
- Was the Government Services business an attractive candidate for a private equity LBO?
- How can Carlyle create value in this deal?
- How should the Government Services business be valued?
- How should the deal be financed?

**Subsequent IPO**

- How should the IPO be valued?
- Discuss the implications of the capital structure post-IPO.
- What is the total return to Carlyle in this deal (starting with the initial buyout)?

**Post-IPO**

- What is the value of Carlyle’s current stake in BAH?
- Analyze the post-IPO performance of BAH.
- How can value be created for shareholders?
VALUING A CROSS-BORDER LBO: BIDDING ON THE YELL GROUP

- How much is Yell worth? How much would you bid?
- How much is the “carry” worth to the PE investors?
- You must do a comprehensive analysis including assessing management’s projections, using the appropriate valuation method and the appropriate discount rate, combine the valuations appropriately after considering currency issues, and come up with a value in pounds.
Speakers’ Bios

**Randy Schwimmer, Managing Director, The Carlyle Group**
Before becoming a part of Carlyle, Mr. Schwimmer served as Senior Managing Director at Churchill Financial Group. He also possesses experience as a Managing Director and Head of Leveraged Finance Syndication at BNP Paribas. Prior to joining BNP Paribas, Mr. Schwimmer spent 15 years at JP Morgan Chase in Corporate Banking and Loan Syndications. He was responsible for organizing, structuring and syndicating leveraged loans, including cash flow and asset based loans along with junior debt such as mezzanine and high yield securities.
B.A. - Trinity College; M.A. - University of Chicago

**Egon Durban, Managing Partner and Managing Director, Silver Lake**
Egon Durban is a Managing Partner and Managing Director at Silver Lake. Mr. Durban joined Silver Lake in 1999 as a founding principal and has worked in the firm’s Menlo Park and New York offices and ran the firm's European business from London. Mr. Durban serves on the Supervisory board and Operating Committee of NXP B.V., the Board of Directors of Intelsat Ltd. and Multiplan Inc. Previously, he served on the Board of Skype and was the Chairman of its operating committee. Prior to Silver Lake, Mr. Durban worked in Morgan Stanley's Investment Banking Division.
B.S. - Georgetown University

**Peter J. Clare, Managing Director and Co-head of the U.S. Buyout Group, The Carlyle Group**
Mr. Clare joined The Carlyle Group in 1992 and has played a leading role in several of Carlyle's most successful investments, including Avio S.p.A, United Defense Industries, Inc., Magnavox Electronics, Aviall Inc. Avio S.p.A, Booz Allen, Landmark Aviation, Standard Aero, United Defense Industries, and Wesco Aircraft. Mr. Clare is a member of the Boards of Directors of ARINC Inc., Booz Allen Hamilton, CommScope, Inc., Sequa Corp. and Wesco Holdings, Inc. From 1999 to 2001, he was based in Hong Kong as a founding member of the Carlyle Asia Buyout team. Mr. Clare has led or been a key contributor to investments in which Carlyle has invested nearly $2 billion of equity. Prior to joining Carlyle, Mr. Clare was with First City Capital Corporation, a private equity group which invested in leveraged buyouts, public equities, distressed bonds and restructurings. Prior to joining First City Capital, he was with the Interfunding/Merchant Banking Group and Leveraged Buyout Department of Prudential-Bache Capital Funding.
B.S. - Georgetown University; M.B.A. - The Wharton School of the University of Pennsylvania

**Jonathan Lynch, Managing Director, CCMP Capital Advisors**
Mr. Lynch focuses on making investments in the consumer, retail and business services sectors. He has been responsible for the firm's investments in 1-800-Flowers.com, American Floral Services, ARAMARK Corporation, Centennial Security, Crosstown Traders, Masada Security, Pinnacle Foods Group, Premier Systems, Sentry Security, Quinzo Sub and Vitamin Shoppe Industries. Prior to joining CCMP in 1992, Mr. Lynch was a member of the Mergers and Acquisitions department of Prudential Securities. Mr. Lynch is past President of the Venture Investors Association of NY (VIANY) and a member of the Board of Advisors of The McDonough School of Business at Georgetown University.
B.S. - Georgetown University; M.B.A. - Harvard Business School
Michael Psaros, Co-Founder and Managing Partner, KPS Capital Partners
Mr. Psaros is a Co-Founder and Managing Partner of KPS Capital Partners, LP, and a member of its Investment Committee and presently serves on the Board of Advisors of the Robert McDonough School of Business at Georgetown University. Mr. Psaros previously served on the board of directors of the following KPS portfolio companies that were successfully sold to a variety of U.S. and international strategic and financial buyers: Americast Technologies, Inc. (Chairman), Ashcroft Inc. (Chairman), Ebro GmbH (Chairman), Genesis Worldwide II, Inc. (Chairman), Speedline Technologies, Inc., Blue Heron Paper Company, New Flyer Industries, Ltd., Wire Rope Corporation of America, Inc., and Blue Ridge Paper Products Inc. Previously, Mr. Psaros was an investment banker with Bear, Stearns & Co., Inc.
B.S.B.A. - Georgetown University

Ralph Money, Managing Director, Common Fund Capital, Inc.
Mr. Money is a member of the investment team of Commonfund Capital, Inc., a wholly-owned subsidiary of Commonfund that focuses solely on investments in private equity, venture capital, and natural resources. He has primary responsibilities for investor relations and serves as the team’s lead limited partner contact. Ralph has 24 years of experience in investor relations, nonprofit financial and general management, and institutional banking.
B.S. - Georgetown University; M.B.A - Harvard Business School

Laurence Tosi, The Blackstone Group, Senior Managing Director and CFO
Before joining Blackstone in 2008, Mr. Tosi was the Chief Operating Officer for the Global Markets and Investment Banking Group of Merrill Lynch & Co. Prior to that, he was Senior Vice President and Finance Director responsible for Merrill Lynch’s global finance organization, including worldwide accounting, regulatory reporting, budgeting and corporate development.
B.A. / J.D. / M.B.A. - Georgetown University
Private Equity
FINC-575

Readings

Professors Reena Aggarwal and David Roux
WEEK 1 (Oct. 29): Private Equity – Overview, Financing

- “Too Big to Veil,” *The Economist*, August 4, 2012 (posted on Blackboard)

WEEK 2 (Nov. 5): Carve-Outs; LBO Model

- Skype Case A (posted on Blackboard)
- Skype Registration Statement (Form S-1) (posted on Blackboard)
- Skype Registration Statement (Form S-1 Amendment 2) (posted on Blackboard)
- Skype Registration Statement (Form S-1 Amendment 3) (posted on Blackboard)
- American Access Care Materials (posted on Blackboard)
- Fresenius Acquires Dialysis Rivals for $2bn, August 2, 2011, *Financial Times* (posted on Blackboard)

WEEK 3 (Nov. 12): Entry and Exit; PE Contracting and Fund Raising

- The Carlyle Group Registration Statement (Form S-1) (posted on Blackboard)

• Note on Private Equity Partnership Agreements, August 14, 2007, HBS Industry and Background Note (9-294-084) (Access via Blackboard)
• Note on Private Equity Fundraising Process, April 29, 2011, HBS Industry and Background Note (9-201-042) (Access via Blackboard)
• FUND I, L.P. Private Placement Term Sheet (posted on Blackboard)
• FUND PARTNERS V, L.P. Private Placement Memo (posted on Blackboard)

**WEEK 4 (Nov. 19): Deal Structuring; Valuation Outcome; Skype Exit**

• Skype Case B
• Skype IPO to Take Stage in 2011, November 1, 2010, *Thomson Reuters* (posted on Blackboard)
• Skype Cancels IPO to Clear Way for Microsoft Sale, May 20, 2011, *Associated Press* (posted on Blackboard)

**WEEK 5 (Nov. 26): Turnaround Investing; Institutional Investors**

• Martin Arnold, “The Friendly Barbarian,” *Financial Times*, March 27, 2009 (posted on Blackboard)
• James Taylor, “Finer China The KPS Turnaround of Waterford Wedgwood,” *Private Equity International*, March 2012 (posted on Blackboard)

• Sovereign Wealth Funds Starting to Embrace Transparency, September 15, 2011, *Institutional Investor* (posted on Blackboard)
WEEK 6 (Dec. 3): Changing Structure of PE

- Valuing a Cross-Border LBO: Bidding on the Yell Group, September 26, 2003, HBS Case (9-204-033) (Access via Blackboard)