

SYLLABUS

“Advanced Corporate Finance for Entrepreneurs”

B8307– Spring 2015
Professor Marco Di Maggio
Columbia University
Graduate School of Business
819 Uris Hall
212-851-0159
mdimaggio@columbia.edu

Overview

Advanced Corporate Finance develops the “**art and science**” of optimal strategic decision-making by applying corporate financial theory to cases of financial policy, financial instruments and valuation. In particular, the following topics are studied: discounted cash flow valuation and financial multiples, venture capital contracting features and valuations, term sheets, LBOs, angel investing and seeds funding, exit strategies, equity and debt financing, M&A and bankruptcy.

Advanced Corporate Finance builds directly upon the basic valuation tools developed in Corporate Finance, but **it is not the Corporate Finance course “on steroids”**.

The course will focus on **recent** cases, which will give the opportunity to analyze firms that are often in the news, such as: *Facebook, Amazon, Marvel, Barnes and Noble, Gucci, Chrysler, Lehman Brothers, Goldman Sachs, and Nokia*. Moreover, several aspects of the recent financial crisis will be analyzed and discussed in class using the insights from the cases. It is divided in three modules:

- Module 1 **(Building a new venture)**: Angel Investing, Seed Funding, VC, PE, LBOs
- Module 2 **(Managing the firm)**: IPO, restructuring, stock repurchases.
- Module 3 **(The firm and the market)**: Corporate Governance, Activist Investors, and the Financial Crisis.

The classes are structured to maximize the synergy between theory and practice:

We will have numerous guest speakers from the aforementioned companies, as well as from venture capital and private equity firms, and from new successful start-ups, such as Wildfire, SoFi, Rent the Runaway, etc...(see the course outline at page 7 for more details)

This class is suitable for students looking to make executive strategic financial decisions, including investment bankers, consultants, CFOs and corporate treasurers and students seeking careers in private equity or planning a new venture.

Advanced Corporate Finance should be considered a capstone course. This is an advanced course in which students are expected to perform professional level work. The class is open to both 1st and 2nd year.

Pre-Requisites

Capital Market is a pre-requisite for this class. However, a student can ask an exception by emailing Professor Charles Jones cj88@columbia.edu and CC me asking to take Capital Markets as a co-requisite. I am usually in favor of this policy, because we are going to review what you need from that class in the first two weeks of the ACF course.

Enrollment

As long as there is room in the class, I am pretty flexible. So if you can only make it at a certain time, but that section is already full, try to enroll in another section and I am happy to have you come in your preferred section, as long as you do not switch around later on.

Guest Lectures

The course will take advantage of about 5 guest lecturers, who will give their practitioner perspectives on the topics or cases covered in class. Since it is impossible to ask these lecturers to come to all of the three sections, in those days all the enrolled students will be invited to attend only the section where the guest will speak.

Participation is required, however, due to potential scheduling conflicts all these lectures will be recorded and made available on canvas. Moreover, the guests will not always come to the same section in order to minimize the students' rescheduling efforts.

References

1. *Case Packet*. It contains all cases that we will analyze, as well as several outside readings and teaching notes, during the semester. It will be in online format and ready at the beginning of the course on canvas.
2. Lerner, Joshua, Ann Leamon, and G. Felda Hardymon. *Venture Capital, Private Equity, and the Financing of Entrepreneurship*. John Wiley & Sons, 2012.
3. Jonathan Berk and Peter DeMarzo, *Corporate Finance*, Pearson, 2014, 3rd edition (BD). Recommended. Copies are on reserve in the library.
4. Tim Koller, Marc Goedhart and David Wessels, *Valuation: Measuring and Managing the Value of Companies*, 2010, 5th edition (Valuation). Recommended. Copies are on reserve in the library.
4. *Class Handouts*. I will distribute outside readings or case analysis before or during class.
5. *Spreadsheets on Canvas*. There will be spreadsheets on Canvas for some of the cases.

Office Hours

My scheduled office hours will be on Mondays and Wednesday from 2:30-4 p.m. I am also available to meet with students by appointment.

Grading Re-grade requests must be made in writing.

The breakdown of the performance measurement to be used in the class follows:

5 cases written up by group	25%
3 brief cases done individually	15%
Class participation	30%
1 case done individually as the take home final exam	30%
	100%

Group Assignments

Groups, *not to exceed four members*, will be formed by the students during the first week of class. Case write-ups are to be handed in by each group (one paper per group) at the beginning of class.

At the end of the semester, you will be asked to give each of your group members (including yourself) a grade on his or her performance within your group (See the peer review form, page 5). This assessment will enter into each student's class participation grade.

Case Solutions

You should take the perspective of an external consultant to the decision maker(s) in the case (such as the CEO, CFO, or Board of Directors). The format should be: a short executive summary saying what course of action should be followed and a succinct description of why; a short list of the *key assumptions* made in your analysis; the bulk of your paper should be the logic of the argument(s) leading to your conclusion. Your argument(s) should contain your entire critique and solution.

Case solutions are limited to two pages of text (typed, double-spaced, reasonable point sizes and margins). Supporting tables, spreadsheets and graphs are limited to three additional pages. Tables and graphs should be clearly labeled, with the assumptions made and formulas used obvious to the reader. Care in preparing your tables is important.

Class Participation

Class participation grades will be determined, in order of importance, on the basis of 1) participation in the class discussion of the cases; 2) case presentations; 3) the intra-group peer evaluations.

You are expected to participate in the class. A necessary (but not sufficient) requirement for participation is presence. If you are not in class, you cannot have participated. Please let me know if you are going to miss a class.

This class starts promptly. Class sessions should be considered to be important business meetings with clients (our clients are CEOs, CFOs, boards of directors, etc.) or with the CEO of your firm, whether the class in question is a session when a case is due or when a lecture is scheduled. You would not be late to such meetings (particularly with any frequency) and expect to keep your clients or your job.

If you must miss a class, you may attend another section.

Honor Code

Students are expected to fully abide by the Honor Code, which states “As a lifelong member of the Columbia Business School community, I adhere to the principles of truth, integrity and respect. I will not lie, cheat, steal or tolerate those who do.”

The structure of this class, especially the amount of group work and measurement of performance based on team product, makes the application of the Honor Code (for both students and teachers) a little trickier than in a midterm/final class. For example, I cannot determine, other than through information that is given to me on peer evaluations and what I observe in class, to what extent one group member shirked at his or her group's expense.

Case solutions for a grade are designation type A (group/group).
The final case is designation type C (individual/individual).

The following examples are concrete violations of the Honor Code:

1. Using, as a resource to complete any course requirements, any written or verbal account of a solution to (or analysis of) any of the cases taught in the class. This includes using any prior solution to the case (be it someone's class notes or cases/solutions from a prior quarter, teaching notes from professors, etc.).
2. Any communication to students in other sections of the class for whom a case is due at a later time concerning any details of the class discussion of the case.
3. Unauthorized communication concerning the final case once it has been handed out.

GROUP MEMBER BEING EVALUATED:

YOUR NAME:

SECTION:

Directions: Rate this member relative to his/her participation in and contribution to your group by circling the appropriate cell.

	Very Poor	Average	Good	Very Good
Attends all team meetings				
Communicates well with other team members				
Respectful of other team members				
Gives constructive feedback				
Has strong presentation skills				
Meets assigned deadlines				
Open to ideas from other team members				
Organized				
Enthusiastic attitude about the team assignments				
Volunteers for tasks				
Shares the responsibility for team assignments				
Submits quality work				
Takes on a leadership role				
Comes to team meetings prepared				
Helped others with their work when needed				
Took risks by exploring something new to him				
Overall was a valuable member of the team				

Course Outline

The following topics and cases will be covered on the associated dates. For each class with a case write-up due, each group's written case is to be turned in at the beginning of class. Everyone is expected to be prepared for a class discussion of each case whether a case solution is due or not.

A list of questions to prepare for each case (class) and the required and recommended readings (including the case) will be distributed the first day of class.

The structure of the assignment is as follows: on a day where a case is due, the "Questions to discuss prior to class" are a collection of issues (both key issues and, sometimes, side issues) related to the case which you can use to guide your group discussions and which will usually be brought up at some point in the class discussion. (The case write-up should **not** simply be a list of answers to the questions, see "Case Solutions" above.) You should be prepared to discuss aspects of the case and to defend your proposal concerning the decision(s) the company should make. The readings refer to the case (or lecture) being covered on the same page: to get the most out of the case or lecture, you should look over the readings you intend to read beforehand.

The readings include the cases and teaching notes (the only *required* reading) and other materials which may prove helpful in doing the cases. The philosophy behind the range of available readings is that different people want to get different things out of Advanced Corporate Finance --- people have different backgrounds (so some readings are review and not necessary); people have different interests (so some readings will be preferred to others); people have different career interests (so some readings will be necessary for some students and not for others).

The following is the schedule of topics and cases and their dates.

NB: This schedule is tentative and subject to change in the event of guest rescheduling or cancellation.

Class Date	Topic and Case
January 28 (W)	Introduction to the Course
February 2 (M)	Review: Valuation
February 4 (W)	Real Options: Theory and Applications
February 9 (M)	Case write-up to be handed in individually: <i>Arundel Partners: The Sequel Project</i>
February 11 (W)	Private Equity: Deal Structuring - PE Securities and Their Motivation
February 16 (M)	Lecture on Term Sheets: Examples
February 18 (W)	GUEST LECTURE: Rob Delman (Managing Director, Golden Seeds and Professional Angel Investor).
February 23 (M)	Case write-up due: Trendsetter
February 25 (W)	Lecture on VC valuation
March 2 (M)	Lecture on VC contracts
March 4 (W)	GUEST LECTURE: Doug McCormick (Partner at RHO Ventures)
March 9 (M)	GUEST LECTURE: SoFi CEO and co-founder Mike Cagney
First Final Exam Period and Spring Break	
March 23 (M)	Equity Financing and Initial Public Offerings
March 25 (W)	GUEST LECTURE: Bill Siegel CEO of SecondMarket

March 30 (M)	Case write-up to be handed in by group: <i>Case: Facebook, Inc. : The IPO</i>
April 1 (W)	Corporate Control: M&A
April 6 (M)	Case write-up to be handed in by group: <i>War of the Handbags: The Takeover Battle for Gucci Group NV</i>
April 8 (W)	Bankruptcy and Reorganization
April 13 (M)	Case write-up to be handed in by group: <i>Bankruptcy and Restructuring at Marvel Entertainment Group</i>
April 15 (W)	Corporate Governance and Activist Investors
April 20 (M)	Case write-up to be handed in individually: <i>Barnes and Noble, Inc.: The Yucaipa Proxy challenge</i>
April 22 (W)	Banking and the financial firm <i>Case: Before the Fall: Lehman Brothers 2008</i>
April 27 (M)	Case write-up to be handed in by group: <i>Going to the Oracle: Goldman Sachs, September 2008</i> GUEST LECTURE: <i>Vice Chairman of US Investment Banking at Lazard</i>
April 29 (W)	Course Summary: JEOPARDY QUIZ

ACF Spring 2014 Students Comments

“I think every CBS student should take this course. Although I am only a first year, I got more out of this class than any class I have had to date. The workload was high and the cases were challenging, but it forced me to push myself and learn. I would recommend every student to take the class.”

“Even though I had some background on finance, having interned in a hedge fund and having done CFA Level I, I didn't like the subject at all and had a hard time in understanding how it could create value for a company. With this course, I understood many of the subjects I didn't, understood the importance of finance in companies, their relationship with the market. I feel I am in a good shape for my summer internship, which will be in the M&A department of a PE-owned company and I am sure I will use many of the concepts I learned here.”

“Di Maggio was great. I really loved his class. I think he explains really well, he was able to incorporate some of the feedback received in the mid-term feedback to his style. He's very accessible and approachable outside the classroom. He also used some humor during class which I liked a lot. In all, he provided me with a much better impression of finance and its role.”

“This has been one of my favorite classes at Columbia so far.”

“He is one of the best professor's I have had.”

“Marco is a very motivated instructor that does a great work keeping the audience engaged.”

“The instructor did a great job in explaining the concepts, being interactive and letting other students with experience in the subject share their opinions. Overall, everyone learning something new in this course given its thoroughness and the professor did a good job in maintaining everyone motivated in more difficult subjects.”

“Amazing instructor. Tried very hard. Should be rewarded for his effort. Very good teacher as well. Very strong results. Great personality also.”

“Overall, I greatly enjoyed the course (which I didn't think I would) and Prof. Di Maggio.”

“Professor DiMaggio clearly cared about our understanding of the subjects in class and was available to talk when we had questions. He struggled at times to get students to participate - and I would encourage him to not be afraid to cold call. I think that he will continue to get his bearings in the classroom and will be a great professor.”