

**COMMERCE 4FV3
Venture Capital
Winter 2025 Course Outline**

**Finance and Business Economics Area
DeGroote School of Business
McMaster University**

COURSE DESCRIPTION

This course focuses on the availability and use of venture capital and private equity by small- and medium-sized and growing companies. The course is recommended for students considering careers in the venture capital and private equity industries and merchant and investment banking, as well as those who anticipate careers as entrepreneurs. Topics include issues in the financing of entrepreneurial companies, business assessment and valuation, transaction and negotiation strategies, and exit strategies. This course will cover a range of industries and financing structures.

INSTRUCTOR AND CONTACT INFORMATION

Class Timing: **Mondays at 11.30 AM**

All times referenced in this document are Eastern.

Adeel Mahmood

Instructor

Office Hours: Before or after class, or by appointment

COURSE ELEMENTS

Credit Value: 3	Leadership: Yes	IT skills: Yes	Global view: Yes
Avenue: Yes	Ethics: No	Numeracy: Yes	Written skills: Yes
Participation: Yes	Innovation: Yes	Group Work: Yes	Oral skills: Yes

COURSE PREREQUISITES AND COMPLEMENTS

COMMERCE 2FB3 (or 3FA3) or IBH 3AC3; and registration in any Bachelor of Commerce or Engineering and Management program or relevant minor

COURSE DESCRIPTION

This course focuses on the availability and use of venture capital and private equity by small- and medium-sized and growing companies. The style of instruction is centred on the case method and project work but will also include lectures and discussions. It may also be supplemented by the participation in class of guest speakers.

The course is centred on early-stage, growing, and private companies and will be of interest to those considering careers in finance or as entrepreneurs. The course follows the arc of the private investment process: due diligence; valuation; negotiation of deal terms; working with the investee company; and exiting the investment.

In addition, from the perspective of an entrepreneur, the course will allow students to research and potentially implement the valuation and financing of an early-stage, growing, or private company, including a family business.

LEARNING OUTCOMES

There are both individual and team learning aspects of this course.

Individual Learning Outcomes

Upon completion of this course, students will be able to exhibit sound knowledge of the following key topics:

- Assess the risk/reward of an investment in an entrepreneurial company;
- Identify the material that an entrepreneur must provide to an investor;
- Conduct the necessary due diligence to decide if an investment is warranted;
- Perform the financial analysis necessary to support an investment decision (as an investor) or prepare the necessary financial materials for submission to an investor;
- Determine an appropriate valuation for making an investment (as an investor) or accepting private capital (as an entrepreneur);
- Understand a term sheet for investment and analyze the related legal terms; and
- Determine the best course for exiting an investment, including IPO or private sale, and understand the steps of doing so.

Team Learning Outcomes

The learning keystone of this course is an investment-focused valuation and financing project centred on actual businesses. Working in teams, students will research the valuation and financing of a business by first proposing to take it private and then offer insights into improving it. While the focus of the projects will be on analyzing and presenting the valuation and

financing analysis of an investment case, teams can incorporate this project in a broader business plan or corporate project they may be pursuing elsewhere.

REQUIRED COURSE MATERIALS AND READINGS

Course content and class communication available on Avenue:

- <http://avenue.mcmaster.ca>

EVALUATION

Individual learning in this course results primarily from in-class discussions based on thorough preparation in advance of the assigned cases. The balance of the individual learning results from lectures on specific topics, student research, and industry speakers.

Team learning focus of this course is on an investment-focused valuation and financing project centred on an actual business. Working in teams, students will research the valuation and financing of an early-stage, a growing, or a private business, including a family business.

The final grade will be calculated as follows:

Components and Weights

Class Participation	In class or reflection (individual)	8%
Two Term Tests	Written in class (individual)	2 x 25%
Private Equity Assignment	Due online during the term (group)	12%
Private Equity Project	Due online at the end of the term (group)	30%
Total		100%

Class Participation

Your participation is needed for a successful class. As in the workplace, your contribution matters to the success of the course. You bring insights and perspectives that can help your classmates understand the concepts better. For the most part, applications of the concepts become clear through class discussion and exercises. This is particularly true for the cases in our course where there is rarely a right or wrong answer and the key learning outcomes are achieved through a deeper discussion in which we engage as a class.

A detailed rubric for this component will be posted on the course website.

If you miss a class and/or want to increase your participation points after class, you can complete a **class reflection** online, summarizing the chapter, case, and activity completed in that class. The deadline to submit your reflections is the end of the term (see the schedule below). Late submissions are not accepted.

Term Tests

Two term tests – *open-book*, *open-notes* tests – will be written during the term. More details of the format, structure, and content coverage will be provided on the course website.

A student *missing a Term Test* is required to contact the ‘Student Experience – Academic Office’ and obtain an official approval of relief if he or she wishes to avoid getting a zero (0) grade for the test. If ‘Student Experience – Academic Office’ adjudicates that relief be provided, the student will be able to write an alternate test, in lieu of the missed test, during the final exam period at the end of the term.

Private Equity Assignment

The *Private Equity Assignment* will be completed and submitted for marking online by students in groups. More details of the format, structure, and content coverage will be provided during the term.

Students will form groups for this component. Each student group will also complete the *Private Equity Project* as described further below. *The group members will be assigned individual grades relative to the group grade based on the peer assessments completed during the course.*

Private Equity Project

The learning keystone of this course is an investment-focused valuation and financing project centred on actual businesses. Working in teams, students will research the valuation and financing of an early-stage, a growing, or a private business, including a family business.

Students will form groups for this component. Each student group will also complete the *Private Equity Assignment* as described further below. *The group members will be assigned individual grades relative to the group grade based on the peer assessments completed during the course.*

Each group will choose to complete **either a VC Project or an LBO Project.**

VC Project

In the VC Project, you will approach an existing start-up or an existing small business and complete a valuation and financing plan for the company. Alternatively, you can approach an existing VC or investment firm and help the firm analyze a target company from a valuation and financing perspective.

The target company must have less than \$100 MM in total annual revenues for the most recent fiscal year. (The company may have no revenue at all.) The target company must be a private company. The company can be as small as a student-led startup with just a business plan.

Your task will be to analyze the target company from the perspective of a VC firm.

LBO Project

You can choose a company listed on a major stock exchange in North America (NYSE, NASDAQ, or TSX) and with a market capitalization of between \$500 MM and \$5,000 MM as of the project proposal date. Alternatively, you can approach an existing investment firm and help the firm analyze a target public company for a potential LBO.

Your task will be to analyze the target company from the perspective of an LBO firm.

More Details

More details will be available on the course website. *The project is due online by the end of the term.* See course schedule for the dates.

COMMUNICATION AND FEEDBACK

Students who wish to correspond with instructors or TAs directly via email must send messages that originate from their official McMaster University email account. This protects the confidentiality and sensitivity of information as well as confirms the identity of the student. Emails regarding course issues should NOT be sent to the Area Administrative Assistants. All students must receive feedback regarding their progress prior to the final date by which a student may cancel the course without failure by default.

- For Level 1 and 2 courses, this feedback must be a minimum of 20% of the final grade.
- For Level 3 courses and above, this feedback must be a minimum of 10% of the final grade.

Instructors may solicit feedback via an informal course review with students by Week #4 to allow time for modifications in curriculum delivery.

Students who have concerns about the course content, evaluation methods, or delivery should first reach out to the course instructor. If your concern remains unresolved after speaking with the instructor, you may then reach out to the relevant Area Chair for further consideration.

COURSES WITH AN ONLINE ELEMENT

Some courses may use on-line elements (e.g. e-mail, Avenue to Learn, LearnLink, web pages, capa, Moodle, ThinkingCap, etc.). Students should be aware that, when they access the electronic components of a course using these elements, private information such as first and last names, user names for the McMaster e-mail accounts, and program affiliation may become apparent to all other students in the same course. The available information is dependent on the technology used. Continuation in a course that uses on-line elements will be deemed consent to this disclosure. If you have any questions or concerns about such disclosure please discuss this with the course instructor.

CONDUCT EXPECTATIONS

As a McMaster student, you have the right to experience, and the responsibility to demonstrate, respectful and dignified interactions within all of our living, learning and working communities. These expectations are described in the *Code of Student Rights & Responsibilities* (the “Code”). All students share the responsibility of maintaining a positive environment for the academic and personal growth of all McMaster community members, **whether in person or online**.

It is essential that students be mindful of their interactions online, as the Code remains in effect in virtual learning environments. The Code applies to any interactions that adversely affect, disrupt, or interfere with reasonable participation in University activities. Student disruptions or behaviours that interfere with university functions on online platforms (e.g. use of A2L, WebEx or Zoom for delivery), will be taken very seriously and will be investigated. Outcomes may include restriction or removal of the involved students’ access to these platforms.

EXTREME CIRCUMSTANCES

The University reserves the right to change the dates and deadlines for any or all courses in extreme circumstances (e.g., severe weather, labour disruptions, etc.). Changes will be communicated through regular McMaster communication channels, such as McMaster Daily News, A2L and/or McMaster email.

COPYRIGHT AND RECORDING

Students are advised that lectures, demonstrations, performances, and any other course material provided by an instructor include copyright protected works. The Copyright Act and copyright law protect every original literary, dramatic, musical and artistic work, **including lectures** by University instructors.

The recording of lectures, tutorials, or other methods of instruction may occur during a course. Recording may be done by either the instructor for the purpose of authorized distribution, or by a student for the purpose of personal study. Students should be aware that their voice and/or image may be recorded by others during the class. Speak with the instructor if this is a concern for you.

REQUESTING RELIEF FOR MISSED ACADEMIC WORK

In the event of an absence for medical or other reasons, students should review and follow the Academic Regulation in the Undergraduate Calendar, *Requests for Relief for Missed Academic Term Work*, and the link below:

<http://ug.degroote.mcmaster.ca/forms-and-resources/missed-course-work-policy/>

* Non-Commerce students must follow the Missed Course Work protocols outlined by their home faculty and Program Office.

COURSE MODIFICATION

From time to time, there may be a need to add and/or remove topics or to change the schedule or delivery format. If these are necessary, you will be given as much advance notice as possible.

ACADEMIC INTEGRITY

You are expected to exhibit honesty and use ethical behaviour in all aspects of the learning process. Academic credentials you earn are rooted in principles of honesty and academic integrity.

Academic dishonesty is to knowingly act or fail to act in a way that results or could result in unearned academic credit or advantage. This behaviour can result in serious consequences, e.g. the grade of zero on an assignment, loss of credit with a notation on the transcript (notation reads: “Grade of F assigned for academic dishonesty”), and/or suspension or expulsion from the university.

It is your responsibility to understand what constitutes academic dishonesty. For information on the various types of academic dishonesty, please refer to the Academic Integrity Policy at:

www.mcmaster.ca/academicintegrity

Students are responsible for being aware of and demonstrating behaviour that is honest and ethical in their academic work. Such behaviour includes:

- following the expectations articulated by instructors for referencing sources of information and for group work;
- asking for clarification of expectations as necessary;
- identifying testing situations that may allow copying;
- preventing their work from being used by others (e.g., protecting access to computer files); and
- adhering to the principles of academic integrity when conducting and reporting research.

GENERATIVE AI

Students may use generative AI for editing, translating, and revising their work throughout the course so long as the use of generative AI is referenced and cited. Use of generative AI outside the stated use of editing, translating, and revising without citation will constitute academic dishonesty. It is the student's responsibility to be clear on the limitations for use and to be clear on the expectations for citation and reference and to do so appropriately.

STUDENT ACCESSIBILITY SERVICES

Students who require academic accommodation must contact Student Accessibility Services (SAS) to make arrangements with a Program Coordinator. Academic accommodations must be arranged for each term of study. Student Accessibility Services can be contacted by phone 905-525-9140 ext. 28652 or e-mail sas@mcmaster.ca.

For further information, consult McMaster University's Policy for Academic Accommodation of Students with Disabilities:

<http://www.mcmaster.ca/policy/Students-AcademicStudies/AcademicAccommodation-StudentsWithDisabilities.pdf>

ACADEMIC ACCOMMODATION FOR RELIGIOUS, INDIGENOUS OR SPIRITUAL OBSERVANCES (RISO)

Students requiring academic accommodation based on religious, indigenous or spiritual observances should follow the procedures set out in the RISO policy. Students should submit their request to their Faculty Office **normally within 10 working days** of the beginning of term in which they anticipate a need for accommodation or to the Registrar's Office prior to their examinations. Students should also contact their instructors as soon as possible to make alternative arrangements for classes, assignments, and tests.

ACKNOWLEDGEMENT OF COURSE POLICIES

Your enrolment in this course will be considered to be an implicit acknowledgement of the course policies outlined above, or of any other that may be announced during lecture and/or on A2L. It is your responsibility to read this course outline, to familiarize yourself with the course policies and to act accordingly.

Lack of awareness of the course policies cannot be invoked at any point during this course for failure to meet them. It is your responsibility to ask for clarification on any policies that you do not understand.

COURSE SCHEDULE			
#	DATE	CONTENT	CASES
1	Mon, Jan 6	Introduction <i>Ch. 1 – An Introduction to Private Equity</i>	-
2	Mon, Jan 13	Valuation of Private Companies <i>Valuation of Private Companies</i>	-
3	Mon, Jan 20	Financial Instruments <i>Ch. 2 – Financial Instruments in Private Equity</i>	-
4	Mon, Jan 27	Term Sheets <i>Ch. 3 – Venture Capital Term Sheets</i>	Half & Full: <i>Questions 1 to 3</i>
5	Mon, Feb 3	Venture Investment Model <i>Ch. 4 – The Venture Investment Model</i>	Half & Full: <i>Questions 4 to 5</i>
6	Mon. Feb 10	Term Test 1 (Written in Class Hours)	
Feb 17 to 23		Midterm Recess (No Class)	
7	Mon. Feb 24	Leveraged Buyouts I: Debt Layers, Revolvers, and Capacity <i>Ch. 5 – An Introduction to Leveraged Buyouts</i>	-
8	Mon. Mar 3	Leveraged Buyouts II: LBO Model, Cash Flow Waterfall, and Return Metrics <i>Ch. 6 – The Leveraged Buyout Model</i>	-
Mon, Mar 10		Private Equity Assignment due online by 10.00 AM	
9	Mon. Mar 10	Distressed Debt Investing <i>Introduction to Distressed Debt Investments</i>	H Partners and Six Flags
10	Mon. Mar 17	Exit Strategies	Workbrain Corp – A Case in Exit Strategy
11	Mon. Mar 24	Term Test 2 (Written in Class Hours)	
12	Mon. Mar 31	Healthcare Ventures	(TBA*)
13	Mon. Apr 7	Project Guidance + Review	-
Wed. Apr 9		Private Equity Project due online by 10.00 AM	

* To be announced during the term