

Private Equity FA2025

Course number FINCB8414, Credits Allocated 1.5

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Office Hours: Email professor (1-hour warning)

COURSE/TEACHING ASSISTANTS

TBD

Communications from the instructor and teaching assistants about the course will take place through Canvas. Students should make sure they regularly check for announcements and messaging notifications.

COURSE DESCRIPTION

The course "Private Equity" focuses on the essential aspects of corporate finance relevant to the private equity industry. The course follows the "private equity cycle" of selection, valuation, and harvesting. Initially, students learn to evaluate a target company from the perspective of a private equity firm, keeping in mind the needs of investors and management. The course then delves into financial modeling, deal structuring, PE fund raising and private equity investment management. We will cover the basic LBO model used throughout the industry to structure and value deals.

By the end of the course, the student will understand the language of private equity, a high-level overview of solutions available for valuation and deal structure, and the economic frictions that must always be addressed. It will ensure students can build the typical quantitative models used in the industry and the qualitative framework for operational changes that drive much of the industry's value-add. This course provides an introductory overview of private equity finance.

This course is an applications-oriented course requiring the student to solve actual problems. The course is a pre-requisite for all PE electives offered in the curriculum. This course must be completed or exempted from to take the next course in the sequence, Advanced Private Equity.

REQUIRED AND RELATED COURSES

Prerequisite/Co-requisite: Capital Markets & Investments (B7306) [no exceptions].

Students should be comfortable working in Excel and qualitatively evaluating businesses or industries.

STUDENT LEARNING OUTCOMES

By the end of the course, students will be able to:

- Evaluate investment theses of PE investment opportunities
- Write detailed investment thesis about a potential PE investment opportunity
- Calculate the returns earned by a private equity fund manager
- Construct a basic leveraged buyout (LBO) model in Excel

COURSE ROADMAP/SCHEDULE

Each week includes lectures, and several weeks will include a case discussion or in-class quantitative exercise. Students will be expected to read the assigned readings and submit individual answers to questionnaires, and participate in class discussions.

Session	Topic(s)	Required Pre-Readings	Assignments Due (Type)
Module 1: What is private equity?			
Week 1	Players: GPs, LPs and investment professionals; what makes PE unique	See Canvas for Notes and industry articles	Entry survey with resume upload (Individual)
Week 2	Introduction to the LBO model and investment thesis		Investment thesis and market overview (3 pages, individual)
Module 2: PE firms, deal structure, and value creation			
Week 3	The PE fund and deal structure		Paper LBO assignment (individual)
Week 4	Value creation		PE firm profile (2 pages, individual)
Module 3: PE ownership, exiting deals and course wrap-up			
Week 5	Expanding the LBO model and other PE asset classes		Case discussion (memo, individual)
Week 6	Exit opportunities, returns to the asset class		What is the value creation? (individual)
Final LBO model and investment thesis Due (finals week)			

Course modules

Module 1: What is private equity? [2 sessions]

This module defines terms and presents the course's "players." We will discuss the general partner (GP) and limited partner (LP) relationship, how PE firms are structured, define the types of PE investment strategies, evaluate the public vs. private decision, and introduce the sources of value-add.

This module introduces the LBO valuation model that forms the center of traditional deal valuation in private equity. We will walk through the structure of the Excel files that form the model's foundation and work through in-class examples. Students will implement the model in an individual assignment.

Module 2: PE firms, deal structure, and value creation [2 sessions]

We must close the deal now that we have a valuation and deal structure. This module will present an overview of the required steps to close a buyout transaction formally. The module's second half will consider the post-closing activities once the PE fund owns the company: operational improvements, debt repayment, and governance. We will also discuss the management and organization of the PE firm from the perspective of possible careers in the industry.

Module 3: PE ownership, exiting deals and course wrap-up [2 sessions]

The final module presents the exit process for the PE-backed company. We will discuss the various exit alternatives and the recent trends in exit type availability. We will round out the LBO model to consider scenarios and evaluate the returns to the PE asset class as a whole. The module ends with a course summary, discussion of major trends facing the industry, and Q&A about the final project.

METHOD OF EVALUATION

All assignments are individual:

Paper LBO (Excel model): 15%

Investment thesis (memo and excel): 15%

PE Firm profile (memo): 10%

Case assignment (quiz questions and class discussion): 10%

Why that deal? (2 page writeup): 10%

Final LBO model and investment thesis (Excel and 3 page memo): 30%

Class participation and attendance: 10%

FINAL PROJECT

Over the course of the semester, students will complete a preliminary LBO model and investment thesis about an industry they are familiar with. The final project has the students complete a short-form LBO model and more detailed investment thesis. The thesis will be a writeup about the target company, industry, market competition, and a preliminary value creation strategy.

CLASSROOM NORMS AND EXPECTATIONS

Core Culture

Students are expected to adhere to [CBS Core Culture](#) in this class by being Present, Prepared, Participating.

Inclusion, Accommodation, and Support for Students

At Columbia Business School we believe diversity strengthens any community or business model and brings it greater success. The School is committed to providing all students with equal opportunity to thrive in the classroom by providing a learning, living, and working environment free from discrimination, harassment, and bias on the basis of gender, sexual orientation, race, ethnicity, socioeconomic status, or ability.

Students with documented disabilities may receive reasonable accommodations. Students are encouraged to contact [Columbia University's Office of Disability Services](#) for information and to register for services.

Columbia Business School adheres to all community, state, and federal regulations as relate to Title IX and student safety. Read more about CBS' policies to support [Inclusion, Accommodations and Support for Students](#).

Honor Code and Academic Integrity

The [Columbia Business School Honor Code](#) calls on all members of the School community to adhere to and uphold the notions of truth, integrity, and respect both during their time in school, and throughout their careers as productive, moral, and caring participants in their companies and communities around the world. All students are subject to the Honor Code for all of their academic work. Failure to comply with the Honor Code may result in [Dean's Discipline](#). Here you can review [examples of Academic Misconduct](#) which may result in discipline.

Course materials (videos, assignments, problem sets, etc) are for your use in this course only. You may not upload them to external sites, share them with students outside of this course, or post them for public commentary without the instructor's permission

Course Attendance Policies

Participation starts at 100% for the 10% of your grade. I only reduce this credit if you come late, fail to answer a cold-call, have unexcused absences, or disrupt class. Without grading the quality or quantity of contributions, I seek and encourage active classroom debate and rely on your participation. Occasionally, I may cold call. Cold-calling will be done using a randomizer in Excel with a weight against previous calls. These will begin in the first 10 minutes of class and simultaneously act as an attendance check.

Generative AI Policy

Students in this course may only use Generative AI tools, such as ChatGPT, for idea generation and must include a citation describing any usage. Using these tools to generate responses to assignments violates [CBS's Honor Code](#), and I will report suspected instances of plagiarism. Please contact me if you have any questions about this policy.