

Capital Raising and Investing / Project Finance (GMT 6211)

Syllabus

Winter Term 2020/21

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| Time: | Fr, 9 th October (13:45 - 20:00), Sa, 10 th October (09:45 - 16:00), Fr, 23 rd October (13:45 - 20:00), Sa 24 th October (09:45 - 16:00). |
| Room: | W1.5.06 (Fridays)/ W1.3.06 (Saturdays) |
| ECTS-Credits: | 3 |
| Level: | Advanced |
| Prerequisites: | Basic knowledge of corporate finance and Excel is desired. |
| Accessibility: | MBA International Management International Master Exchange Program (IMEP) |

Learning Objectives:

By the end of the course, the participants shall...

- ... be familiar with how the capital raising process works in the real world.
- ... understand which type of capital providers are suitable for a specific project.
- ... know how and where to find potential capital providers.
- ... be able to prepare a convincing investment case.
- ... be aware of the typical differences between investors and be able to adapt their investment case to each investor's needs and goals.
- ... be able to analyze investment projects using the same tools and concepts that professional investors use.
- ... have the capability to compare investment projects and make better investment decisions.

Course contributions to the MBA program goals / learning outcomes

| Goal | Course Contributions to Goal | Assessment |
|--|--|---|
| 1 Responsible leadership in organizational contexts | Grow an organization with third party funds. Know how to find and persuade investors. | Participation in class Investment case Presentation |
| 2 Creative problem solving skills in a complex business environment | Critical discussion and analysis of various investment cases. Being able to combine resources to develop an attractive investment story. | Participation in class Investment case Presentation |
| 3 Research Skills | Know how and where to find information for an investment case or for any business decision. Know how and where to find potential capital providers. | Participation in class Investment case Presentation |
| 4 Management of Innovation | Innovative approaches to growing an organization without own funds. | Participation in class Investment case Presentation |
| 5 Management of the challenges of global sustainability and awareness for social and corporate responsibilities | Highlight CSR issues in an investment case. | Participation in class Investment case Presentation |

Main course topics:

- Capital raising
- Investments
- Financial modeling
- Capital markets
- Project finance
- Corporate finance

Basic outline and organization:

The course consists of three main elements:

(1) **Lectures** on various capital raising topics:

- capital structure, investment structures: debt (senior/junior, securities, collateral, covenants), equity, mezzanine, recourse/guarantee, alignment of interest, structuring fee, upside sharing, cash waterfall, carried interest, first loss piece.
- overview on capital provider types with their characteristics such as investment volume, period, stage, risk and return profile. Potential investors:
 - a. equity investors: family and friends, angel investors, private equity funds (including venture capital funds), public equity (IPO, secondary offering), family offices, sovereign wealth funds, hedge funds, closed end funds, pension funds, insurance firms;
 - b. debt capital providers: banks, public debt investors (bond issuance), mezzanine capital providers, pension funds, insurance firms.
- cash flow modeling / financial modeling:
 - a. introduction of important Excel formulas used in financial modeling (IRR, XIRR, NPV, XNPV, YIELD, IF, VLOOKUP, INDEX, CHOOSE, INDIRECT, SUMIF, AVERAGEIF, COUNTIF) and Excel tools (Goal Seek, Data Table, Formula Evaluator, Conditional Formatting);
 - b. best practices in cash flow modeling.

(2) **Workshop**: a cash flow model will be developed together for an investment known to everybody, maybe buying a flat as an investment, by using the presented Excel formulas and tools and applying the discussed best practices. Each student needs to bring a notebook with MS Excel for this workshop.

(3) **Assignment**

- Detailed assignment briefing and an example of how it should be done. The assignment will be to prepare an investment case, which is made of:
 - a) presentation (investment description, market, investment opportunity, suggested structure),
 - b) teaser (brief summary of the presentation),
 - c) financial model / cash flow model in Excel,
 - d) term sheet / letter of intent (LoI) (all material terms of the suggested investment).

The investment will be chosen by students based on their background, interest and career goals. Suggestions for potential investments:

- a) a real asset such as a real estate object (residential building, hotel, shopping mall, logistic center,..), renewable energy facility (wind, solar, water,..), an airplane, a ship, an infrastructure project, forest, farm/farmland,
 - b) a growth strategy for an existing company such as launching a new product, entering a new market, purchasing a new asset/equipment, acquiring another company,
 - c) a start-up (appropriate for students that want to found a business from scratch).
- Initial presentation of the assignment: the students and the lecturer will play the role of the investor and ask questions regarding the investment (as in real life - first round of presentations and negotiations). The lecturer will give detailed feedback to everybody.
 - Delivery of the assignment based on previous feedback.

Grading:

Grading will be primarily done on the basis of the assignment. The grade will be based upon:

(1) the quality of the assignment (70%):

- a) presentation (35%),
- b) teaser (5%),
- c) cash flow model (25%),
- d) term sheet (5%).

(2) the quality of delivering the presentation and of the Q&A session after the presentation (30%).

Course Materials:

1) Lecture notes

2) Recommended literature:

- a) Bodie, Z., Kane, A. and Marcus, A. (2013), Investments, 10th Edition, McGraw-Hill/Irwin, ISBN: 978-0077861674
- b) Sherman, D. (2012), Raising Capital, 3rd Edition, AMACOM, ISBN: 978-0814417034
- c) Proctor S. (2010), Building Financial Models with Microsoft Excel, 2nd Edition, Wiley, ISBN: 978-0470481745
- d) Benninga, S. (2014), Financial Modeling (4th edition), MIT Press, ISBN: 978-0262027281.