

**NORTHWESTERN UNIVERSITY
BUSINESS INSTITUTIONS PROGRAM**

**INVESTMENT BANKING and PRIVATE EQUITY
BUS INST 394
FALL QUARTER 2024
WEDNESDAY AT 2:00 – 4:45 PM
KELLOGG GLOBAL HUB**

Professor: David Stowell

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Telephone: 312-927-0265

Office: KGH #4385

Classroom: KGH #

Office Hours: Wednesday at 10-11 am, by appointment

COURSE DESCRIPTION

The course focuses on investment banking organizational structure, products, risks, earnings, regulations, innovations and competition. The functions of the “banking” business (M&A and financings, including equity, bonds and convertibles), the “sales and trading” business (institutional investor investing activity) and other investment banking businesses will be analyzed. In addition, the course focuses on private equity organizational structure, investment activity, relationships with limited partners, exit strategies, financial models, portfolio company cash flow and margin enhancing activity and the inextricable relationship between investment banks and private equity firms. This course will prepare students for internship and full-time interviewing for both investment banks and private equity firms, as well as provide a broad educational background for students generally interested in finance and investing.

REQUIRED BOOKS

Investment Banks, Hedge Funds and Private Equity, by David P. Stowell and Paul Stowell, **4th Edition** (published by Academic Press, an imprint of Elsevier Inc.)

Too Big To Fail, by Andrew Ross Sorkin (published by Viking, an imprint of the Penguin Group)

GRADING

Grading for the following assignments and exam will be based on a curve:

1. **Class Participation and Group Evaluation (15% weighting).** Classroom comments and questions should demonstrate knowledge of the topic being discussed and facilitate learning for the entire class. Participation points will be given based on in-class participation and chats. Class participation recorded by the professor and indicated by

students represents half of this grade. The other half comes from the Group Evaluation component of the Class Participation and Group Evaluation survey completed by each student, which must be posted to Canvas prior to midnight of the last class.

2. **Case Questions. (24% total weighting)** There are seven cases and six of these cases have question sets that are each weighted 4%). A one page response to case questions should be posted on Canvas prior to designated classes. The purpose of the questions is to ensure comprehension of the cases and to facilitate class discussion. Questions should be answered individually and not based on discussions with group members, other students, or any other source.
3. **Group Presentation to Class (16% weighting)** on weekly financial and M&A market developments and selected private equity topics.
4. **Group Project: H.J. Heinz M&A Case (15% weighting).** A group powerpoint presentation on the H.J. Heinz M&A case is due before class on the designated date (see description under Assignments in Canvas).
5. **Final Exam (30% weighting)** Closed book in-class exam.

GRADING PHILOSOPHY

The following is necessary to achieve the highest grade:

- Participation in class discussions
- Teamwork
- Awareness of current financial and merger market conditions
- Effective use of electronic news media
- Meeting class deadlines
- Class attendance and punctuality
- Insightful and efficient verbal and written communication
- Total adherence to the Academic Integrity, as summarized below

ACADEMIC INTEGRITY

Weekly presentations on market developments and the M&A case will be completed by groups. These and other group activities must adhere to principals of Academic Integrity, including each group member having a full understanding of any written material that includes a student's name. For example, even though one student may do the principal work on a spreadsheet, all group members are expected to fully understand the spreadsheet and be able to answer questions regarding it or any other aspect of the group's product. Principals of Academic Integrity will, of course, also apply to all individual work as well and to the Final Exam. **Students are not permitted to collaborate on any assignments other than the two group assignments. The**

final exam must be completed without any assistance from other students, or any other person or electronic source.

SUMMARY COURSE OUTLINE

Class # 1 September 25

Topics: Course Organization
 Overview of Investment Banking

Reading: Chapter 1
 Investment Banking in 2008 (A): Rise and Fall of the Bear case

Class # 2 October 2

Answers to Investment Banking in 2008 (B) case due before class
Group Class Presentation: weekly financial and M&A market developments

Topics: Overview of Investment Banking (cont.)
 History and Regulation of the Securities Industry

Reading: Chapter 2
 Investment Banking in 2008 (B): A Brave New World case

Class # 3 October 9

Answers to Freeport-McMoRan case due before class
Group Class Presentation: weekly financial and M&A market developments

Topic: Financings

Reading: Chapter 3
 Freeport-McMoRan: Financing an Acquisition case

Class # 4 October 16

Answers to P&G Acquisition of Gillette case due before class
Group Class Presentation: weekly financial and M&A market developments

Topics: Financings (cont.)
 Mergers and Acquisitions

Reading: Chapter 4
 The Best Deal Gillette Could Get: Proctor & Gamble Acquisition of Gillette
 Case

Class # 5 October 23

Answers to ServiceCo case due before class
Group Class Presentation: weekly financial and M&A market developments

Topic: Mergers and Acquisition (cont.)

Reading: ServiceCo Case (found in Exhibit 4.9 in chapter 4 of the textbook)
Too Big To Fail (chapters 1-7)

Class # 6 October 30

Group Project: H.J. Heinz M&A case due before class

Topic: Trading
H.J. Heinz Case

Reading: Chapter 5
Too Big To Fail (chapters 8-14)

Class # 7 November 6

Answers to Panera Bread case due before class

Group Class Presentation: LBO Financial Model

Topics: Overview of Private Equity
LBO Financial Model Introduction

Reading: Chapter 16

Class # 8 November 13

Answers to Toys R Us Case to be posted before class on Canvas

Group Class Presentation: Outcomes for Large LBO Transactions

Completed During 2005-2007 and Overview of 2021-22 Transactions

Topics: Overview of Private Equity (Continued)
Toys R Us Case

Reading: Chapter 17
Toys R Us Case

Class #9 November 20

Class Participation and Group Evaluation due by 11:59 pm on November 16

Group Class Presentation: Pitchbook Private Market Playbook

Topics: Private Equity Impact on Corporations
Organization, Compensation, Regulation and Limited Partners

Reading: Chapter 18
Chapter 19
Panera Bread Case

Final Exam December TBD

RECOMMENDED BOOKS (optional reading)

Barbarians at the Gate – Burrough and Heylar

When Genius Failed – Roger Lowenstein

Goldman Sachs: Culture of Success – Endlich

Liar's Poker -- Lewis

Greed and Glory on Wall Street – Auletta

Den of Thieves – Stewart

An Accidental Investment Banker – Knee

Tearing Down the Walls -- Langley