

PRIVATE EQUITY

Gregory Chouette, with Etienne Chemel and Arnaud de Cartier d'Yves.

Gregory Chouette is Partner at Landy & Partners in London, an investment and risk advisory firm advising family offices, wealth managers, asset managers and institutions. He was previously Head of Investment Risk, Multi-Assets at Schroders. He held previously various positions in Schroders, New Finance Capital LLP and BNP Paribas, most recently as Head of Risk Management and Quantitative Research at Schroders New Finance Capital.

Etienne Chemel is an Associate at Star Capital Partners, a \$1bn private equity fund which was established to acquire and develop capital assets and capital-asset based businesses. He worked previously at Evercore (London) and Société Générale (Paris).

Arnaud de Cartier d'Yves is Investment Manager at BlackFin Capital Partners. He was previously Investment Manager at Cobepa (Evergreen Private Equity) and also worked at GE Capital in various functions in London and other countries.

Course Outline

This course gives an overview of the Private Equity industry, which is playing a paramount role in financing the real economy. Its influence has increased dramatically over the past few years and investors have been allocating unprecedented amounts of capital to this type of strategy.

The course helps Participants understand why investors are getting involved, what sort of risk premium they seek and the roles private equity plays in their portfolios.

It focuses on the different types of private equity funds by bringing in experts of relevant fields, such as

- infrastructure
- leverage buyout
- venture capital
- growth equity
- private credit

The course is articulated around several case studies and expands on the latest trends and insights one should know about this market.

Course Structure

A. Introduction and history of Private Equity

- I. **History of Private Equity**
 - a. Evolution of LBOs
 - b. Financial crisis
 - c. Private Equity firms today
- II. **Trend and development of the Industry**
 - a. Performance and strategies
 - b. Growth and flows of the industry
 - c. Investors in Private Equity
- III. **Private Equity as an asset class**
 - a. Point of view of the LP
 - b. Role of PE in a global portfolio
 - c. Diversification and alpha generation

B. Private Equity deep-dive

- IV. **The Private Equity Business Model**
 - a. Ultimate target: equity value creation
 - b. Method and sourcing
 - c. Targets: what do we buy?
 - d. Challenges for PE firms
 - e. The buyout process: due diligence
 - f. Target returns and cost of capital
 - h. The internal process: from investment thesis to investment decision
 - i. Day to day reality
 - j. The rewards: GPs and LPs
 - k. The hidden incentives: management fees/how to *put money to work*

V. Traditional PE investment: *the good old LBO*

- a. Traditional value creation levers:
 - operational improvements
 - earnings growth
 - cash flow generation
 - leverage
 - multiple arbitrage
- b. PE involvement in company's life
- c. Value focus and cycle arbitrage
- d. Buy-and-build strategy - creating value through synergies
- e. Pros and cons of exit alternatives
- f. Investment time horizon

- g. The downside scenario: over-leverage, debt for equity swaps and capital losses
- h. Interactive case study : LBO modelling

VI. Unconventional investment: *complexity is our friend*

- a. The buyout market: returns
- b. The next investment opportunity
- c. Potential transaction drivers:
 - excessive debt
 - strategic reorientation
 - non-standard processes
 - complex assets
 - fallen angels
 - un-adapted shareholder base
 - motivated sellers
- d. Blurred lines: minority vs. majority ownership, public vs. private investment
- e. The challenge: the gem hidden behind apparent complexity
- f. Interactive case study / Complex transaction modelling

C. Credit deep-dive

- VI. **Sub-investment grade**
 - a. How is a sub-investment grade debt actually created?
 - b. Structuring the debt
 - c. Benefit of debt in the transaction
 - d. Legal documentation
 - e. Tranches of debt
 - f. High yield bonds vs Loan

VII. Credit risk and fundamental analysis

- a. Activity of the business
- b. Underlying market dynamics
- c. Company competitive positioning
- d. Barrier to entry
- e. Customers analysis
- f. Supplier analysis
- g. Management team review
- h. Financial sponsor
- f. Debt agreement
- g. Company performance

VIII. Case Study

- a. Full financial model analysis
- b. Scenario analysis
- c. Probability of default