

## ***MGT 265 Technology Finance and Valuation***

### **General Information**

T 9:00-11:50am GH1302

Professor Ayako Yasuda

Email: [asyasuda@ucdavis.edu](mailto:asyasuda@ucdavis.edu)

Homepage: <http://www.ayakoyasuda.com>

Professor Office hours: Mondays 4:30-5:30pm

Meeting ID: 922 0105 4897

Passcode: 321195

### **Course Description**

This is a skill-focused course that empowers students to participate in the valuation and financing of tech startup/high-growth companies. It is designed with a variety of exercises and projects so that the students will acquire the following three core skills:

1. Identify the pros and cons of various terms in term sheets from both the founder and investor's perspectives, strategize what to negotiate, and make nuanced, informed decisions
2. Produce a fundamental-based intrinsic valuation model for a tech/biotech or high-growth company
3. Analyze a technology investment scenario and assess its validity based on both fundamental-based and market-based approaches.

These skills are essential for entrepreneurs, professionals in finance, M&As, and business development at larger tech companies, and venture capitalists and other investors in technology companies. In a capstone project student teams create their own valuation model of technology companies and present their analysis in a class presentation which get voted on by their peers.

### **Course Materials**

Required text: A. Metrick & A. Yasuda (2021), **Venture Capital and the Finance of Innovation**, 3<sup>rd</sup> Edition

Wiley & Sons (February 2021), ISBN: 978-1-119-49011-1.

A textpak consisting of cases (to be used in class and in assignments) will be available on Harvard Publishing. Slides will be made available on the Canvas course page by the evening before the class.

### **Prerequisites**

The prerequisite for this class is Financial Theory and Policy (MGT 405).

## Course Assessments

Grading will be based on the following components:

Assignment/Assessment	Weight on Final Grade
Quizzes	15%
Group Case Writeups	20%
Midterm	20%
Capstone Project	30%
Class Participation	15%

A final grading distribution will be determined at the end of the quarter, in contemplation of all work. There is no “forced curve” and students are not in competition with each other for a limited number of grades.

## Assignment and Assessment Information

### A. Quizzes (Week 2, Week 7, and week 8-10 15% of final grade)

There are three quizzes (each counting for 5%) that you will complete outside of class. Quiz 1 will be due after Week 2, Quiz 2 will be due after Week 7, and Quiz 3 will be due between Week 8 and 10.

### B. Group Case Writeups (Week 4 and Week 9, 20% of final grade)

There are two group case assignments, each counting for 10%.

Group size is either three or four students (no exceptions); the same group will also work on the capstone project. All members of the team will receive the same points on case writeups. Students' participation in case discussions in class will be individually assessed, and will be part of the students' class participation grade (see below).

### C. Midterm (Week 5, 20% of final grade)

Exam will be held in the Week 5 live session and will consist of multiple-choice and free response questions. For the latter, you must show and/or explain calculations to receive partial credit.

### D. Capstone project (draft due Week 8, final presentation Week 10, 30% of final grade)

The capstone project has two components – the draft writeup (10%) and the final presentation (20%). Draft submission grades will be the same for team members; the final presentation will have a group (8%) and individual component (12%), and each member should participate in the presentation.

### E. Class Participation (every week, 15% of final grade)

5% On-time completion of all questions or individual work required during asynchronous coursework (if any) is expected of students. In addition, some ungraded Canvas surveys will

be assigned. This work will not be graded, and students will receive full credit for on-time completion.

10% Students are expected to attend all classes and come prepared by completing all preassigned readings and preassigned work (if any). Class 10 (March 12) participation is mandatory (no exceptions) and students not attending the class will not pass the class. Highly rated class participation involves being prepared, providing thoughtful comments and questions, engaging actively during in-class problem-solving segments, and contributing insights (rather than just reciting facts) to cases and other discussions.

### **Attendance Policy**

Students are expected to attend all classes and come prepared by completing all preassigned readings and preassigned work (if any).

### **Make-up Policy**

If a student is unable to take an exam during the scheduled exam time for personal or professional reasons, that student must provide a written request to make alternative arrangements at least one week prior to the scheduled exam. Students will not be allowed to make up the exam after the scheduled exam has been administered.

### **Program Mission**

The mission of the UC Davis Graduate School of Management is to be a global leader in management research and education. As part of the world's premier public university system, we pursue significance, excellence and scholarly rigor in our research, teaching and service to the people of California. We emphasize curiosity, creativity and high standards in the generation and transmission of theoretical and practical knowledge relevant for business.

### **Honor Code and Academic Integrity**

Academic integrity exists when students and faculty seek knowledge honestly, fairly, with mutual respect and trust, and accept responsibility for their actions and the consequences of those actions. Without academic integrity, there can be no trust or reliance on the effectiveness, accuracy, or value of a University's teaching, learning, research, or public service activities. It is therefore key that we understand what academic integrity is, why it is important, and how to help it flourish on college campuses.

1. It is expected that all class members will treat each other with respect and dignity.
2. It is not acceptable behavior to insult, harass, or demean any member of the class.
3. Professional business behavior should be modeled in the classroom, including the use of appropriate language, jokes, or stories.

**In general, students should adhere to the UC Davis Principles of Community, copied below.**

The University of California, Davis, is first and foremost an institution of learning and teaching, committed to serving the needs of society. Our campus community reflects and is a part of a society comprising all races, creeds and social circumstances. The successful conduct of the university's affairs requires that every member of the university community acknowledge and practice the following basic principles:

We affirm the inherent dignity in all of us, and we strive to maintain a climate of justice marked by respect for each other. We acknowledge that our society carries within it historical and deep-rooted misunderstandings and biases, and therefore we will endeavor to foster mutual understanding among the many parts of our whole.

We affirm the right of freedom of expression within our community and affirm our commitment to the highest standards of civility and decency towards all. We recognize the right of every individual to think and speak as dictated by personal belief, to express any idea, and to disagree with or counter another's point of view, limited only by university regulations governing time, place and manner. We promote open expression of our individuality and our diversity within the bounds of courtesy, sensitivity and respect.

We confront and reject all manifestations of discrimination, including those based on race, ethnicity, gender, age, disability, sexual orientation, religious or political beliefs, status within or outside the university, or any of the other differences among people which have been excuses for misunderstanding, dissension or hatred. We recognize and cherish the richness contributed to our lives by our diversity. We take pride in our various achievements, and we celebrate our differences.

We recognize that each of us has an obligation to the community of which we have chosen to be a part. We will strive to build a true community of spirit and purpose based on mutual respect and caring.

For more information, please review the [Academic Conduct Booklet](#):

### **Academic Participation Requirement**

Students are required to complete their Academic Participation verification no later than the quarter add deadline. The link for this is provided below:

<https://participate.ucdavis.edu>

### **Statement on Accommodation**

UC Davis is committed to educational equity in the academic setting, and in serving a diverse student body. All students who are interested in learning about how disabilities are accommodated can visit the [Student Disability Center](#) (SDC). If you are a student who requires academic accommodations, please contact the SDC directly at [sdc@ucdavis.edu](mailto:sdc@ucdavis.edu) or 530-752-3184. If you receive an SDC Letter of Accommodation, submit it to your instructor for each course as soon as possible, at least within the first two weeks of a course.

### **Rights and Responsibilities**

All participants in the course, instructor and students, are expected to follow the UC Davis [Principles of Community](#), which includes affirmation of the right of [freedom of expression](#), and rejection of discrimination. The right to express points-of-view without fear of retaliation or censorship is a

cornerstone of academic freedom. A diversity of opinions with respectful disagreement and informed debate enriches learning. However, in this course, any expression or disagreement should adhere to the obligations we have toward each other to build and maintain a climate of mutual respect and caring.

You are expected to take UC Davis's [Code of Academic Conduct](#) as seriously as we do. You were given this code of conduct with explicit explanations of violations (e.g. plagiarism, cheating, unauthorized collaboration, etc.) and your responsibilities in regard to them during orientation, and you signed a statement affirming that you understand it. Academic conduct violations will not be tolerated, and your instructor will not hesitate to turn violators over to Student Judicial Affairs. If you are uncertain about what constitutes an academic conduct violation, please refer to the code linked above, contact your instructor, or refer to the [Office of Student Judicial Affairs](#).

All material in the course that is not otherwise subject to copyright is the copyright of the course instructor and should be considered the instructor's intellectual property.

### Safety and Emergency Preparedness

UC Davis has many resources to help in case of emergency or crisis. While reviewing campus [Emergency Information](#), you may want to register for UC Davis Warn Me and Aggie Alert, which will give you timely information and instructions about emergencies and situations on campus that affect your safety.

If there is an emergency in the classroom or in non-Davis locations, follow the instructions of your instructor.

### Disclaimer

Unexpected events might require elements of this syllabus to change. Your instructor will keep you informed of any changes.

### Course Schedule

Week	Readings / Topics	Assessment Due Dates
1	Ch1 The VC Industry Ch2 VC Players	
2	Ch3 VC Returns Ch4 The Cost of Capital for VC Ch7 The Analysis of VC Investments	Quiz 1 (complete after class)
3	Ch8 Term Sheets Ch9 Preferred Stock	
4	Ch6 VC Around the World <i>Case 1 Discussion</i>	Case 1 (due the night before class)
5	Ch10 The VC Method	In-class Midterm
6	Ch11 DCF Analysis of Growth Companies Ch12 Comparables Analysis	

	Ch5 The Best VCs	
7	Ch13 Option Pricing Ch14 The Valuation of Preferred Stock	Quiz 2 (complete after class)
8	Ch15 Later-Round Investments Ch16 Participating Convertible Preferred Ch17 Implied Valuation	Capstone Project Draft (due the night before class) Quiz3 (complete between Week 8 and 10)
9	Ch19 R&D Finance <i>Case 2 Discussion</i>	Case 2 (due the night before class)
10	Frontiers in Tech Finance <i>Capstone Presentation</i>	Capstone Presentation (due the night before class)