Digital Investing
Spring 2015
B8429
Tuesdays 5:45 pm – 8:45 pm
Warren 310

Professor Jonathan Knee             Professor Jeremy Philips
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The course is designed to introduce business students to the application of value investing concepts and disciplines to digital businesses. We will cover a wide range of digital business models in companies at a variety of stages and development.

The course is organized around major digital business models and industry verticals. After the introductory sessions, each week will closely examine a leading digital company (or companies) within the model/vertical at issue, as well as an alternative established or emerging digital competitors. The analytical framework will be reflected in an Investment Committee Memorandum template that will serve as a basis for class discussion. The template incorporates the key decision-making variables relevant to a value investing approach.

The first half of each class will focus on the overall sector identified and leading company example. The second half will include Investment Committee Memo presentations by two student groups on the alternative digital business examined. Some sessions will include participation of relevant leading digital investors or executives.

In addition to weekly readings, the two textbooks for the class are: Value Investing: From Graham to Buffett and Beyond (VI) by Bruce Greenwald et al. and The Curse of the Mogul: What’s Wrong with the World’s Leading Media Companies (COM) by Jonathan Knee et al. The reading assignments for class combine chapters of the book with relevant background materials on the general sector and specific companies studied. Grading is based on

- Final examination (65%)
- Group presentations (25%)
- Class participation (10%)

**Group Presentations and Class Participation.** The class will be divided into 16 (sixteen) groups. The groups’ composition will be confirmed by the TA on the day following the second class (February 3rd). Students may establish their own groups subject to size limitations. Any group not pre-arranged will be randomly assigned.

During the course of the semester each group will make one twenty minute Investment Committee Memo presentation in which they defend their investment thesis to the class. The memo and presentation will be graded with all group members receiving the same grade, which will represent the presentation portion of the overall class grade. Students not presenting are expected to participate in questioning and be subject to random questioning on any of the companies covered in the weeks. Their questions and responses will be the basis of the class participation component of the grade.
Final Exam. The purpose of the final exam is to test your ability to apply the concepts taught in the class to a real investment. The in-class exam will ask students to complete an Investment Committee Memorandum on a specific investment proposal based on an information pack provided.

Syllabus
Note: Speakers are to be confirmed and there will typically be one per class. One insurgent will be examined per class.

January 27, 2015  Introduction to Investing

Topics:
1. Value Investing
2. Sources of Value
3. Basic Valuation Methodologies
4. Early Stage Investing
5. Specialization in Investing

Reading:
- VI: Chapter 1-5, 7
- Investment Committee Memorandum Template

Speaker:
Bruce Greenwald

February 3, 2015  Introduction to Strategy and Industry Structure

Topics:
1. Competitive Advantage
2. Basic Structures of Media Industries
3. Strategy and Industry Structure

Reading:
- COM: Introduction, Chapters 2-4

February 10, 2015  Is Digital Investing Different?

Topics:
1. Impact of Digital on Industry Structure and Competitive Advantage
2. Digital Metrics and Methodologies
3. Sources of Digital Success and Failure

Reading:
- COM: Chapter 5
February 17, 2015  Content Companies (Professor Knee)

Incumbent:
- New York Times

Insurgent:
- Business Insider

Reading:
- Justin Fox, “A New Golden Age of Media”, Justin Fox, April 16, 2014

Speaker:
- Henry Blodget, CEO, Business Insider (Confirmed)

Feb 24, 2015  Social Networking (Professor Philips)

Incumbent:
- LinkedIn

Insurgent:
- Dice.com

Reading:
- LinkedIn Pitch to Greylock

Speaker:
- Michael Durney, CEO, Dice.com (Confirmed)

March 3, 2015  B2B/Saas (Professor Knee)

Incumbent:
- Salesforce.com

Insurgent:
- Blackline

Reading:
- Blackline Management Presentation

Speaker:
- Therese Tucker, CEO, Blackline (Confirmed)
March 24, 2015  Travel (Professor Philips)

Incumbent:
- Trip Advisor

Insurgent:
- Kayak

Reading:

Speaker:
Stephen Kaufer, CEO, Trip Advisor

March 31, 2015  P2P Finance (Professor Knee)

Incumbent:
- Lending Club

Insurgent:
- Prosper

Reading:
- Peter Tufano et al., “Lending Club”, Harvard Business School Case, December 2010

Speaker:
- Eric Schwartz, Prosper Investor and Former Board Member (Confirmed)
- Tom Glocer, Former Tomson Reuters CEO, Investor in Lending Club and Orchard

April 7, 2015  Sharing Economy (Professor Philips)

Incumbent:
- Uber

Insurgent:
- Fon

Reading:
- Aswath Damodaran, “Uber Isn’t Worth $17 Billion”, FiveThirtyEightEconomics, June 18, 2014

Speaker:
- Martín Varsavsky, CEO, Fon
April 14, 2015  Video (Professor Knee)

Incumbent:
- Netflix

Insurgent:
- HBO

Reading:
- Sequoia YouTube Investment Memo
- Jonathan Knee, Why Content Isn’t King, The Atlantic, June 2011

Speaker:
- Eric Kessler, Former HBO President and COO (Confirmed)

April 21, 2015  Marketplace Exchange / Businesses (Professor Philips)

Incumbent:
- eBay
- Amazon.com

Insurgent:
- 1stdibs

Reading:

Speaker:
- David Rosenblatt, CEO, 1stdibs (Confirmed)

April 28, 2014  Wrap-up and Conclusions