Healthcare Investment and Dealmaking
FINC B8342-001

Spring 2014 (A-Term); Wednesday 2:15pm to 5:30pm, UrIs 330

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TA: TBD

Course Overview

This course analyzes the unique characteristics and strategies of investing in the health care sector from the perspective of private equity firms seeking to build value-creating health care platforms and venture capital firms investing in early-stage health care enterprises. The course also analyzes “dealmaking” strategies in the healthcare sector – mergers & acquisitions, joint ventures, licensing, and other third-party transactions -- including valuation methodologies and deal structuring. It assesses how companies and investors can assess, value and manage the inherent risks in investing in a changing, highly regulated and politically-charged environment.

The healthcare industry is large, complex, and growing rapidly. Innovation is critical to satisfy the increasing demands of an aging population, and life science investors play a critical role in funding novel medicines and technologies. Sectors that are highly fragmented, complex, and inefficient such as healthcare create attractive investment opportunities for private equity firms and other sophisticated investors. A key strategy for pharmaceutical and medical device companies, as well as healthcare services firms, is to grow and achieve competitive advantage through various third-party transactions (M&A, licensing, JVs). This course will address these issues through a mixture of lectures, case discussions, and prominent guest speakers from private equity, venture capital, investment banking, and CEOs of healthcare operating companies. Note: Capital Markets and Investments must be taken prior to, or concurrent with, this course.

Specific areas to be discussed in this course include:

- Business drivers of key healthcare market segments (healthcare services, biopharmaceuticals, and medical devices/technologies).
- Unique challenges in managing, valuing, and investing in such healthcare segments (government regulation, product life cycle management, pricing/third-party reimbursement, utilization trends, patents/IP, public scrutiny, etc.)
- Role, investment objectives/philosophies, financing alternatives, and value-creation and exit strategies of private equity (PE) and venture capital (VC) firms.
- Business development/ external growth strategies, structures, valuation, and terms (M&A, joint ventures, licensing, etc.).
**Format and Approach**

This course will present a program which is intellectually stimulating and challenging in a short time frame. Class participation will be critical for the students, and we will constantly seek to relate the information and ideas discussed in the classroom to issues currently confronting companies, investors and entrepreneurs in this sector. Understanding of, or experience in, the healthcare sector will be highly valuable.

**Materials**

Certain readings on the healthcare industry will be posted on the course web page prior to the start of the course. It is expected that the students will have read a substantial amount of this reading, especially those students with limited healthcare exposure. Other readings will be posted or distributed pertaining to specific class sessions. A list of supplementary materials and reference books will also be posted on the course web page.

**Course Requirements and Evaluation**

**Class Participation (25%):** Students will only get out of this course as much as they put in. It is therefore important that students take an active role in classroom activities and discussions and come fully prepared. The class participation grade will reflect class attendance and the quality of the student’s involvement in class activities and discussions.

**Midterm Assignment (25%):** For a mid-term writing assignment, students will be given a case study or questions for their written analysis and recommendations. This 2-3 page paper (plus exhibits) should summarize your recommendations to a decision-maker involved in the situation and your analysis supporting that recommendation (due Feb. 18th).

**Final Paper/Analysis (50%):** The course will include a final written analysis on a case study or series of questions pertaining to the course material. The paper will be approximately 3-5 pages, excluding exhibits (due date TBD).

**Class Schedule and Topics**

The following is the schedule of topics (**Note: specific dates, topics and speakers will vary based on availability**).

**Jan. 28th**  
**Course Introduction and Industry Considerations**

- Review course syllabus and class sessions.
- Overview of major healthcare sectors: healthcare services, biopharmaceuticals, medical devices/technologies.
- Unique challenges of investing in healthcare (regulation, reimbursement, intellectual property, utilization trends, public policy, etc.).
- Overview of private equity (PE) firms’ approach and strategies in identifying attractive healthcare investment opportunities.
Feb. 4th  **Private Equity’s Investment in Healthcare Sector**
- Investment selection, due diligence, risk assessment, capital structuring, competition from strategic buyers, relationship building, value-creating strategies, private vs. public, exit options, etc.
- Views on valuation & leverage, including pragmatic approach to “thinking like an investor”.
- **Guest speaker:** to be announced.

- Overview and key business characteristics of the life sciences sector.
- M&A trends, healthcare deal flow, current multiples/ premiums paid.
- Current healthcare financing environment (IPO market, other).
- Valuation methodologies and deal structures in life sciences deals.
- Deal analyses.

Feb. 18th  **Healthcare M&A and Financing – Trends and Analysis (II)**
- Overview and key business characteristics of the life sciences sector.
- M&A trends, healthcare deal flow, current multiples/ premiums paid.
- Current healthcare financing environment (IPO market, other).
- Valuation methodologies and deal structures in life sciences deals.
- Deal analyses.

Feb. 25th  **Case Study: PE Value Creation and “Dealmaking”; Investing in Early-Stage Biopharma, Med. Device, and HC Services**
- Investment approach and criteria for investors in emerging healthcare/ life science companies.
- Deal structuring considerations, valuation, exit options/ timing
- **Guest speaker:** To be announced.

Mar. 4th  **Course Wrap-up**