BANKING AT MICHIGAN: Investment Banking Demystified

Decoding the Investment Banking Recruitment Process

Agenda

- What are Investment Banks?
- What Do Analyst Do?
- Why Banking?
- Recruiting for Banking

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INVESTMENT BANKING OVERVIEW

What are Investment Banks?

- **Trusted advisors** and **financiers** to a diverse client base both public, private and governmental entities- at the most pivotal points of their life cycles
- Investments banks provide advisory services (e.g. Mergers & Acquisitions or Restructuring)
- Investment banks help clients raise capital (through debt or equity)
- Investment banks work with legal, audit and management functions of a company

Investment Banks

BULGE BRACKET



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J.P.Morgan Morgan Stanley Cit



MIDDLE MARKET





Piper Jaffray®

BOUTIQUE/INDEPENDENT ADVISORY



GUGGENHEIM

MOELIS & COMPANY

CENTER VIEW PARTNERS

BANKING AT MICHIGAN

Website

ANKING AT MICHIGAN

Investment Banks

INDUSTRY SPECIFIC







REGIONAL







Analyst Experience at Boutique vs Bulge

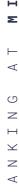
Boutique	Bulge
Typically offers generalist program	Placed in a group right away
 Typically only advisory focused Small deal teams with 1-2 analysts, an associate, VP, director, and MD Get exposure through entire deal process and often get to run the model with associate 	 Offer a wide variety of services including access to balance sheet Deal teams vary in size, usually larger Get exposure to large, complex deals and will sometimes work with analysts from other industry/product groups

What are Investment Banks?

- Investment banks are **typically** split into **Product** and **Coverage** groups
- **Products**
 - M&A
 - Leveraged Finance (LevFin)
 - Restructuring / Debt Advisory
 - Equity/Debt Capital Markets
- Coverage
 - TMT (Technology, Media & Telecom)
 - Healthcare
 - Real Estate
 - FIG (Financial Institutions)
 - Consumer Retail
 - Natural Resources
 - **Industrials**

Equity Capital Markets (ECM)

- Group responsible for advising clients on equity related products such as swaps, options, futures, and shares - common services include:
 - **IPOs**
 - **Equity Private Placements**
 - Roadshows
- Sometimes referred to as a "cross between investment banking and sales and trading"
- **Recruiting:** expect similar interviews to any other IBD group but with more of a focus on accounting, DCF, equity, and enterprise value rather than merger models and LBOs
 - Demonstrate interest in markets (know equity trends, recent IPOs, and how indices are performing)



Debt Capital Markets (DCM)

- Group that helps companies and governments raise money via debt instruments such as corporate bonds, government bonds, credit default swaps (usually investment grade) - Bankers help:
 - Raise debt for acquisition or other project
 - Refinance/restructure existing debt
 - Connect clients with global pool of debt investors
- Recruiting: follow the bond markets and know debt related information such as bond valuation, yield curves, etc

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Leveraged Finance (LevFin)

- LevFin departments work on acquisitions (leveraged buyouts),
 recapitalisations, and asset purchases, M&A, and refinancing by raising high yield debt
 - Leveraged buyouts: Financial sponsors need to raise debt to fund a leveraged buyout.
 - Recapitalizations: Acquirers often borrow to pay acquisitions. When a lot of debt is needed, it falls under the leveraged finance umbrella.
- "The <u>Leveraged Finance Capital Markets</u> team originates, structures and executes bank loans and high yield bond financings for corporate clients and financial sponsors."
- Companies use debt because it is typically cheaper to use than equity or cash

Restructuring

- When a company can no longer meet its payment liabilities it will elect or be forced into bankruptcy and will hire a restructuring banker to help with the process
 - <u>Chapter 7 Bankruptcy</u>: "Liquidation" the company is past a state of reorganization and needs to sell off its assets to pay back creditors
 - <u>Chapter 11 Bankruptcy</u>: "Rehabilitation" company tries to reorganize its debt by contacting creditors to renegotiate loan terms in an attempt to reemerge as a healthy organization
- Bankers help
 - Sell assets to pay creditors
 - Negotiate loan obligations
 - Advise management on reorganization strategy

M&A

- Will either be working on "sell side" or "buy side" M&A
 - Sell Side Mandate: Client wants to sell their company and make money
 - Buy Side Mandate: Client wants to buy a company, and the bankers help them sell it or finance it
- Provide advice on valuation, transaction structures and deal tactics/negotiations
- Bulge Brackets may also tap into balance sheet to finance through debt and equity issuances (help from ECM / DCM / other product groups)
- Some banks (i.e. Goldman Sachs bake M&A into their coverage groups vs. JPM where coverage bankers do not do any M&A work)

What does an Investment Banking analyst do?

- 4 major workstreams
 - Research
 - Bloomberg Terminal, Reuters, Equity Research Reports
 - Due Diligence
 - Ex. Manage communications between buyer and sellers in a Acquisition
 - Pitch Decks (Powerpoint)
 - Large portion of your time will be spent creating decks
 - Financial Modeling & Analysis (Excel)
 - Great technical experience once you gain trust as an intern / analyst
- ~60 to 100+ hour work weeks (variable by Bank / Industry / Group Culture)



Examples of Public Side of Investment Banks

- Securities / Sales and Trading
 - Provide clients leading market insight, risk management and execution, helping them raise money, invest, and transfer risk across different asset classes
 - Clients: Asset managers, hedge funds, banks, corporations, etc.

Research

- Equity research analysts closely analyze small groups of stocks in order to provide insightful investment ideas
- Give reports to firm's salesforce / traders, institutional investors, and the general investing public. They communicate formally via research reports that place "Buy," "Sell," or "Hold" ratings on the companies they cover.

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Why start a career in Investment Banking?

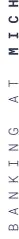
- You need to find the right reason for you
- Maybe you want to pursue a...
 - Long-term career in investment banking
 - Long-term career in finance, but not necessarily investment banking
 - Career in...
 - Private Equity/Private Credit (TPG, KKR, GTCR, ASP)
 - Venture Capital (Insight Venture Partners, Sequoia)
 - Hedge Fund (Citadel, Bridgewater, Two Sigma)
 - Corporate Finance (Microsoft, Disney, Salesforce, Sports)
 - Technology / Startups (Google, Uber, Slack)
- Or maybe you have no idea (broad exposure that translates to other industries)



BREAKING INTO INVESTMENT BANKING

Four Phases of Recruitment

- Research
 - Understand what investment banking is, cultural differences between firms, and the types of transactions firms facilitate
- Networking
 - Have conversations with bankers from firms that are recruiting
 - Follow up / cold email bankers after initial introduction at corporate presentation
 - Opportunity for you to learn about the firm and for them to get to know you
- Preparation (Winter Break sophomore year is a good time to start looking at this)
 - Review and master BIWS and other technical interview guides
 - Prepare for behavioral questions regarding experiences, leadership, etc.
- Interviews



General Timeline - Burn this slide into your brain

- January through April of sophomore year
 - On-campus presentations & networking sessions
 - Some firms may begin on-campus interviews as early as March
- Summer
 - Interviews begin latter half of the summer (June-August)
- Fall of Junior Year
 - Firms may continue recruitment
 - On-campus interviews through CDO

Due to the changing environment, this is very unpredictable and rapidly evolving

Early Access Programs Timeline

- January through April of sophomore year
 - *Note: some program applications open during the tailend of first semester
 - On-campus presentations & networking sessions
 - Some firms may begin on-campus interviews as early as February
 - Superdays can range from February to April
- Due to the early nature, some firms will not expect you to be fully versed in technicals and so instead will give more weight to your behaviorals

Due to the changing environment, this is very unpredictable and rapidly evolving



Info Sessions / Networking Events

These events are what you make of them

- They are intended to give you an opportunity to learn about a firm, its people and its culture
- Things to keep in mind:
 - Don't feel a need to try too hard
 - Don't hog the spotlight it's very noticable and typically negative \circ
 - Do be yourself
 - Do ask questions that show you've put thought into them
 - Do ask follow ups to your or others questions which shows you're engaged
 - Do ask for "business cards" and send follow up emails
 - These will later be used as an entry point for networking calls



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WRAPPING UP

General Advice

Freshmen

- Enjoy your first year on campus and do not stress about recruitment
- Explore your interest in finance, sign up to receive news / industry updates
- Get involved on campus
 - Balance social and professional / career focused clubs and organizations
 - "Active" vs. "passive" involvement in organizations

Sophomores

- If banks are coming to campus to recruit, attend their corporate presentations
- Begin to network / have conversations with bankers that came on campus
- Tailor your resume, story, and general preparation for interviews

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www.bankingatmichigan.org