

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

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



J.P.Morgan

Morgan Stanley



MIDDLE MARKET

William Blair

Jefferies



HOULIHAN LOKEY

Piper Jaffray®

BOUTIQUE/INDEPENDENT ADVISORY

EVERCORE
PJT

GUGGENHEIM
MOELIS & COMPANY

CENTER|VIEW PARTNERS

Investment Banks

INDUSTRY SPECIFIC

FINANCIAL
TECHNOLOGY
PARTNERS

M&A
MARLIN & ASSOCIATES

Qatalyst
PARTNERS

REGIONAL

 GREENWICH
CAPITAL GROUP

 CASCADESM
PARTNERS

 **ANGLE ADVISORS**
— INVESTMENT BANKING —

Analyst Experience at Boutique vs Bulge

Boutique	Bulge
<ul style="list-style-type: none">● Typically offers generalist program● 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	<ul style="list-style-type: none">● Placed in a group right away● 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

Structure of an Investment Bank



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

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 Leveraged Finance Capital Markets 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
 - Chapter 7 Bankruptcy: “Liquidation” - the company is past a state of reorganization and needs to sell off its assets to pay back creditors
 - Chapter 11 Bankruptcy: “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.

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

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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 noticeable and typically negative
 - 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

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