The Illinois Investment Banking Academy: Introduction to Investment Banking
Fall 2014
Why Investment Banking?

- Campus Involvement
- Internship Experience
- Case Competitions
- First Introduction to Investment Banking
- Networking
What is Investment Banking?
What Investment Banking is NOT

• **Sales and Trading**
  – Wall Street (the movie)

• **Equity Research**
  – Publish research on stocks and expected future prices

• **Wealth Management**
  – Create a portfolio to invest money to make more money

• **Retail Banking**
  – Loan officers

• **Commercial Banking**
  – Retail banking for businesses

• **Private Equity/Venture Capital**
  – Buy businesses, sell businesses
  – Shark tank
What Investment Banking IS

• Advising on the sale of a business or the purchase of a business
  – Facilitating the process, determining offer price and financing structure

• Advising on the capital raising process
  – Capital can be used for growth, debt paydown, equity repurchase, dividends

<table>
<thead>
<tr>
<th>Mergers &amp; Acquisitions</th>
<th>Financing</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Buy-side</strong></td>
<td><strong>Equity</strong></td>
</tr>
<tr>
<td>▪ The company that is looking to buy</td>
<td>▪ <strong>Initial Public Offerings</strong></td>
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<tr>
<td></td>
<td>▪ Secondary Offerings</td>
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<tr>
<td><strong>Sell-side</strong></td>
<td><strong>Debt</strong></td>
</tr>
<tr>
<td>▪ The company that is looking to sell</td>
<td>▪ Issuing debt</td>
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**Different Types of Banks**

<table>
<thead>
<tr>
<th>Firm Size</th>
<th>Bulge Bracket</th>
<th>Middle Market</th>
<th>Boutique</th>
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<td>Typical Deal Size</td>
<td>&gt; $1 billion</td>
<td>$50 million - $500 million</td>
<td>Variable</td>
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<td>Unique Qualities</td>
<td>Full Service Banks, International Reach</td>
<td>Specialized, More Deals</td>
<td>Niche Focus, $$</td>
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- **Bulge Bracket**: Very Large
- **Middle Market**: Mid-sized to Large
- **Boutique**: Relatively Small

**Typical Deal Size**
- Bulge Bracket: > $1 billion
- Middle Market: $50 million - $500 million
- Boutique: Variable

**Unique Qualities**
- Bulge Bracket: Full Service Banks, International Reach
- Middle Market: Specialized, More Deals
- Boutique: Niche Focus, $$

**Examples**
- Bank of America, Merrill Lynch
- J.P. Morgan
- Goldman Sachs
- Lincoln International
- Houlihan Lokey
- BMO Capital Markets
- Lazard
- Bilow Butler & Company, Moelis & Company
A Day in the Life

• **Client Calls/Meetings**
  – Logistics
  – Notes

• **Internal Presentations**
  – Public Information Books
  – Research

• **External Presentations**
  – Pitch Books
  – Confidential Information Memorandum

• **Valuation**
  – Modeling (Discounted Cash Flow, Leveraged Buy Out, Synergies)
  – Comparable companies
  – Precedent Transactions

• **Whatever the team needs**
  – Ordering dinner
A Week in the Life of an Intern

MON
8:00 AM
- Project Firepower - Kick Off Meeting @ Client's Law Office
- Went to Gym
9:00
- Went Home
10:00
- Project Lounge - Create Buyer List
11:00
- Project Horseradish - Conference Call and Review w/Director
12:00 PM
- Went Home

TUE
8:00 AM
- Went to Gym
9:00
- Project Lounge - Create Buyer List
10:00
- Horseradish - Valuation
11:00
- Project Carribean - Data Room Set Up
12:00 PM
- Lounge - Finish Buyer List

WED
8:00 AM
- Carribean - Invite Management & Financing Parties
- Firepower - Work on Confidential Financing Memo
9:00
- Lounge - Review Buyer List w/ Associate
10:00
- Lounge - Find Buyer List Contact Information
11:00
- Lounge - Find Buyer List Contact Information
12:00 PM
- Went to Gym

THU
8:00 AM
- Firepower - Review Meeting w/ Associate
- Went Home
9:00
- Project Renovate - Pitch due Thursday
10:00
- Went Home
11:00
- Project Renovate - Pitch due Tomorrow AM
12:00 PM
- Went Home

FRI
8:00 AM
- Went to Gym
- Firepower - Work on Confidential Financing Memo
- Firepower - Find Potential Lenders
9:00
- Lounge - Find Buyer List Contact Information
10:00
- Went to Happy Hour
11:00
- Firepower - Exhibits (From Home)

SAT
- Firepower - Receive Email from Director Asking to Work on Exhibits for Memorandum by Monday AM

SUN
- Went Home
Expectations in a Normal Job

Are you done with your work today?

Yes

Go home

No

Don’t go home

Go home
Expectations in Investment Banking

Are you done with your work today?
- Yes
- No

Are you the last person in the office?
- Yes
- No

Ask your superiors if there is anything else you can help out with. If they say:
- "Yes"
- “Maybe later”
- “No, go home”

Is there anything else you can be doing to add value?
- Yes
- No

Don’t go home
Go home
Exit Opportunities

MBA

Anything you want

Hedge Fund

Analyst 2-3 years

Corp Dev.

Private Equity

Associate

Venture Capital

Google Ventures

Goldman Sachs

KKR

CITADEL
Class of 2015 Full-Time Placement

CLASS OF 2015 FULL-TIME OFFERS: 100% PLACEMENT
Class of 2014 Full-Time Placement

Class of 2014 Full-Time Offers: 100% Placement
Class of 2013 Full-Time Placement

Class of 2013 Full-Time Offers: 100% Placement
IBA Program

2013

• Summer Chicago office visits (August)
• Fall Chicago office visits (October)
• JP Morgan case competition
• New York office visits (November)
• Bank-authored cases and projects implemented into IBA curriculum

2014

• Summer Chicago office visits (August)
• Fall Chicago office visits (October)
• Lincoln International case competition
• JP Morgan case competition
• New York office visits (November)
• Bank-authored cases and projects implemented into IBA curriculum
• Alumni mock interviews

IBA is relatively new on campus and each year adds more to the program. In 2015 we are looking forward to adding more events and programs.
Admission Statistics

• Most are Accounting & Finance dual-degree students

• Minimum 3.55 GPA

• Significant and relevant sophomore finance internships
  – Majority were at investment banks and investment funds
  – Some were set up with alumni job shadows through IBA
How to Prepare for the Interviews

Behavioral
- Basic interview questions consistent among all interviews
- Examples include: “Tell me about yourself”, “Why do you want to do investment banking”, etc.

Technical
- Focus on valuation, financial statements, and mergers & acquisitions
- Examples include: “Walk me through a DCF”, “How are the 3 main financial statements linked”, etc.

• Good resources include:
  – Ibankingfaq.com
  – Wallstreetoasis.com
  – IBA members

• It isn’t just about the right answers, it is about how you present yourself