Investment Banking Intro

- No ambiguity as to categorization of majors:
  - Bulge bracket: Goldman, Merrill, Morgan Stanley, Lehman, Bear
  - Universal banks: Citi, DB, UBS, Credit Suisse, JPM, Bank of America, Barclays
  - Commercial banks expanding into IB: HSBC, RBS, Nomura
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- For smaller competitors, vocabulary is critical since assignment less rigid than for Bulge Bracket, Universal and Commercial Banks

- Boutiques – typically one office, rely upon a handful of veteran dealmakers with relationships in just a couple of industry groups (i.e. Centerview Partners, 9 partners, in NYC, focused on food & consumer (recently added healthcare); Elixir Advisors, 2 partners in NYC, focus on luxury goods)
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- Regional – Seek to offer near-full service banking to companies in a geography outside of NYC “proximity matters!” (i.e. Stephens Inc in the Southern USA, Moelis in California)

- Specialty – Attempt to provide global, full service coverage which is limited to just one industry group (i.e. Fox-Pitt Kelton Cochran Caronia Waller in financial services)
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- Why consider B,R &S?
  - No mortgage securitization exposure
  - No LBO debt exposure (role of stapled financing)
  - No auction rate securities exposure
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- What’s different about R, B & S vs. majors?
  - Type of client (106,000 US companies with $25MM-$1 billion in revenues vs Fortune 100)
  - Deal size (small-to-middle market vs mega)
  - Type of deal (domestic vs cross border)
  - New business pitch ("partner-level attention" vs "THE firm")
  - Employee philosophy (hands-on problem solving vs training and standardization)
  - Less cash compensation (maybe), but more equity
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A Level Playing Field

Credit crisis and resulting bulge bracket issues have reduced the balance sheet as a competitive advantage, leaving strong people and ideas as the key differentiator.

Capital / Balance Sheet

People, Ideas and Creativity
**Investment Banking Intro**

**Competitive Landscape: Institutional Boutiques**

- Few boutiques offer both advisory and public equity and debt capital raising

<table>
<thead>
<tr>
<th></th>
<th>M&amp;A Advisory</th>
<th>Restructuring &amp; Recapitalization</th>
<th>Public Capital Raising</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Broadpoint Gleacher</strong></td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
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<td><strong>Evercore Partners</strong></td>
<td>Yes</td>
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<td><strong>Greenhill</strong></td>
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<td><strong>Lazard</strong></td>
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<td><strong>Moelis &amp; Company</strong></td>
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<td><strong>Jefferies</strong></td>
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<td><strong>Piper Jaffray</strong></td>
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<tr>
<td><strong>FBR Capital Markets</strong></td>
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<td><strong>Cowen and Company</strong></td>
<td>Yes</td>
<td>No</td>
<td>Yes (Equity Only)</td>
</tr>
</tbody>
</table>
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- The WRONG reasons to avoid investment banking:
  - Too risky now
  - Hours: Always exaggerated, BUT…
  - Recruiting process: Painful, BUT…
  - Career track: Lots of steps, BUT…
    - Associate (3-5 years)
    - Vice President (2-3 years)
    - Director or Principal (1-3 years)
    - Managing Director or Partner
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Still Not Starving...
Average total compensation for investment bankers, by experience.
Dollars in millions

Source: Johnson Associates

IDD, April 24, 2009
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- The WRONG reasons to pursue investment banking:
  - $$$$$$$$$$$
    - 20-30% deferred and subject to vesting
    - Minimum +$2,000/month higher cost of living
    - NYS tax of 6.85% and NYC tax of 3.65%
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- The RIGHT reasons why investment banking may be right for you:
  - Nature of work: transactions=problem solving
  - Orientation: external agent
  - Professional growth: specialization
  - Daily focus: reading, spreadsheets
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- What are banks looking for?
  - Step #1 – On campus interviews (CU alumni)
    - Analytical questions – logic NOT just the answer
    - Communication skills
  
  - Step #2 – NYC interviews
    - Analytical questions – Logic even more important
    - Teamwork examples
    - Interpersonal

Very important to be nimble and conversational in your Q&A!
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- What can you do to prepare?
  - Read chapters 1-8 (valuation, mergers, LBO’s ~100 pgs) in Peter Hunt, Structuring Mergers, 2004 (closed reserve in library)
  - Identify a target list of 8-10 banks (at least ½ B,R &S) and be able to answer “why banking, why this bank, why me?”
  - Follow the market DAILY – Read the NY Times DEALBOOK - and be able to highlight stocks or industrial sectors that are good/bad investments.