Investment Banking... Is it for you?

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Fall 2008
Consulting/ Banking Application Process

Summer:
- Prepare resume and cover letters
- Research firms

August-October:
- Attend information sessions and events
- MOST APPLICATIONS DUE, some by early September
- Practice interviews; mock interviews and case interviews in the CDO
- Prepare for SLAC events
- Contact and talk with alumni currently working in the industry

October-November:
- Interviews extended to qualified applicants

November-January:
- Job offers extended
Investment Banking

What is Investment Banking?

Overview of Investment Banking Firms

Overview of Investment Banking Areas

What types of entry-level jobs exist in Investment Banking?

Investment Banking Career Paths

The Hiring Process

Links about Investment Banking

Other Resources
What is Investment Banking?

Investment banking isn’t one specific service or function. I-Banking, as it is sometimes called, is an umbrella term for a range of activities: underwriting, selling, and trading securities (stocks and bonds); providing financial advisory services, such as mergers and acquisition advice; and managing assets. Investment Banks assist public and private corporations, nonprofit institutions, governments, and individuals in raising funds, as well as in providing strategic advisory services for mergers, acquisitions, and other types of financial transactions.

Generally, the breakdown of an investment bank includes the following areas: *Corporate Finance, Mergers & Acquisitions, Public Finance, Syndicate, Institutional Sales, Retail Sales, Trading, Over-the-Counter Trading, Research, and Operations.*

Overview of Investment Banking Firms

Bulge Bracket

Bulge bracket investment banks are the largest and most comprehensive in the business. They do the largest deals and command the largest fees.

Bulge bracket firms include:

- Bank of America
- Citigroup
- Credit Suisse
- Deutsche Bank
- Goldman Sachs
- JP Morgan Chase
- Morgan Stanley
- UBS Investment Bank
Regional and Boutique

Regional banks tend to be smaller versions of the bulge bracket firms, although they do not typically try to do everything. They generally serve medium-size clients and often develop an expertise in a particular industry due to proximity or research excellence.

Regional investment banks include:

Legg Mason (Baltimore)

Piper Jaffray (Minneapolis)

WR Hambrecht (San Francisco)

Boutique investment banks are small firms that usually specialize in particular industries, such as media or high-tech, or in particular products/services, such as project finance or private placements. Deals done by boutiques are often more complex and require more time, attention, and “hand-holding” between the client and the bankers.

Boutique investment banks include:

Freeman and Co. LLC

SPP Capital Partners

C.V. Lemmon & Co.
<table>
<thead>
<tr>
<th><strong>Overview of Investment Banking Areas</strong></th>
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<tbody>
<tr>
<td><strong>Corporate Finance</strong> – Raises capital for businesses typically by underwriting stocks and bonds, or other equity and fixed income securities, and re-selling them in the public markets or as private placements to large investors.</td>
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| **Mergers & Acquisitions** – Negotiate corporate mergers and acquisitions, advise companies on assessing the value of their businesses. |

| **Public Finance** – Raises capital for state and local governments, school districts, and other tax-exempt entities. |

| **Syndicate** – Coordinates efforts of investment banking, sales and trading to move new securities issues to market. Organizes underwriting and sales syndicates. Prices, sells, and generates interest in, new securities. |

| **Institutional Sales** – Sell securities and investment recommendations, investment management capabilities, and services to large investors typically referred to as “institutional investors.” |

| **Retail Sales** – Sell stocks, bonds, mutual funds and other investments to the general public and small businesses. Provide investment advice and financial planning services. |

| **Trading** – Specialists are market makers on the floor of a stock exchange required to buy and sell to maintain fair and orderly markets in the securities they are assigned by the exchange. Floor Traders execute buy and sell orders for clients of the firms and individuals that they work for as agents. |

| **Research** – Equity Researchers review companies and write reports about their prospects, often with "buy" or "sell" ratings. While the research division generates no revenue, its resources are used to assist traders in trading, the sales force in suggesting ideas to customers, and investment bankers by covering their clients. |

| **Over-the-Counter Trading (OTC)** – OTC traders buy and sell stocks, bonds and other securities over electronic trading systems and by telephone as agents for customers or as principals for their own firms. |

| **Operations** – Also known as the Back Office. Clearing and settling of trades, managing the technical aspects of running securities firms, exchanges and investment management companies. Information services units design and implement computer programs to manage these functions. |
What type of entry level jobs exist in Investment Banking?

<table>
<thead>
<tr>
<th>Corporate Finance: Analyst</th>
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<tr>
<td><strong>Description:</strong> As a starting analyst in Corporate Finance you will usually work on a client team and have responsibilities to prepare registration statements, attend road shows where investors are sold on securities etc. Analyst positions are typically designed as 2-3 year positions. Most analysts then either leave the field or go on to graduate school; many enter MBA programs. Some are hired by private equity firms, who value their analytical training and experience. A select few are promoted from within to Associate.</td>
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<tr>
<td><strong>Skill Requirements:</strong> Newly-hired financial analysts are often recent graduates with degrees in accounting, finance, or economics. Some hail from liberal arts programs such as English, and have demonstrated skills in math and analysis. All candidates should have:</td>
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<tr>
<td>• Quantitative and Analytical skills</td>
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<tr>
<td>• Marketing and Communication skills</td>
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<tr>
<td>• Motivation and Tenacity</td>
</tr>
<tr>
<td>• Decision Making and Problem Solving Skills</td>
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<tr>
<td>• Interpersonal skills</td>
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<tr>
<td><strong>Tasks:</strong> Preparing pitchbooks, preparing registration statements, attending road shows, running financial models, and preparing due diligence.</td>
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<td><strong>Education:</strong> BA, BS, BBA</td>
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<td><strong>Hours:</strong> 80+ per week, frequently includes weekends</td>
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<td><strong>Salary:</strong> $55,000 + bonuses</td>
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<tr>
<td>Trading: Trading Assistant or Trading Clerk</td>
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<tr>
<td><strong>Description:</strong> Trading Assistants provide operational and backup support for the Equity Trading Desk. As with Sales Assistant, this is viewed as a dead-end job in the industry. Trading Clerks provide similar support as Trading Assistants, but they do not receive as much trading/floor experience.</td>
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<tr>
<th>Skill Requirements:</th>
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<tr>
<td>- Knowledge of finance/investments</td>
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<tr>
<td>- Aptitude for quantitative reasoning/problem solving</td>
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<td>- Strong analytical skills and attention to detail</td>
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<td>- Excellent communication skills</td>
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<td>- Ability to multitask</td>
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<th>Tasks:</th>
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<td>- Balance books and maintain a record of the day’s transactions.</td>
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<td>- Support traders with various types of trades, including domestic and international equity programs, futures, currency and option orders.</td>
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<td>- Assist in trade verifications and resolve trade discrepancies.</td>
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<td>- Answer large volume of telephone calls (taking detailed and accurate messages).</td>
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<td>- Communicate with various custodians and their cash managers on trade-related issues.</td>
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<tr>
<td>- Generate and maintain various trade and management reports.</td>
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| Education: BA, BS, BBA | Hours: 50+ per week, frequently includes weekends | Salary: Under $40,000 at most banks |
**Mergers and Acquisitions: Analyst**

**Description:** Setting up deals where one company buys another is an important source of fee income for many investment banks. If you go to work in this area you would assist a team which acts as an advisor to a client, values transactions, creatively structures deals and negotiates favorable terms. As a starting M&A analyst you will usually work on a client team assisting with research and company interviews.

**Skill Requirements:**

- Familiarity with balance sheet and income statements.
- Proficient with numbers, calculations and be able to learn valuation techniques.
- Excellent communication skills and comfortable communicating regularly with upper management.

**Tasks:**

- Contacting and interviewing CEOs and executives.
- Performing company valuations, research and analysis.
- Assisting Senior Associates and Executives in all aspects of M&A transactions, while playing an integral part in all phases of the deals.

<p>| Education: BA, BS, BBA | Hours: 65+ per week, frequently includes weekends | Salary: $45,000 + bonuses (with bonuses, salary can range up to $65,000) |</p>
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<tr>
<th><strong>Research: Research Clerk or Assistant</strong></th>
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<tr>
<td><strong>Description:</strong> The bottom-level number crunchers in research, research assistants generally begin with no industry or market expertise. They come from solid undergraduate schools and performed well in school, but initially perform mundane research tasks, such as digging up information and editing/formatting reports.</td>
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**Skill Requirements:**

- Quantitative and Analytical skills
- Marketing and Communication skills
- Motivation and Tenacity
- Decision Making and Problem Solving Skills
- Interpersonal skills

**Tasks:**

- Entry-level research, editing and formatting of reports, spreadsheet modeling.

<p>| <strong>Education:</strong> BA, BS, BBA | <strong>Hours:</strong> 80+ per week, frequently includes weekends | <strong>Salary:</strong> $40,000 + bonuses |</p>
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<tr>
<th>Sales: Sales Assistant</th>
<th><strong>Description:</strong> Sales Assistants handle much of the day-to-day operations, performing a number of different jobs with a wide range of responsibilities; all involve computing and recording data pertaining to securities transactions. This job is generally viewed as “dead-end” at most I-banks.</th>
</tr>
</thead>
</table>
| **Skill Requirements:** | • Good organizational and communication skills  
• Attention to detail.  
• Computer skills also are important in order to enter and retrieve data quickly. |
| **Tasks:** | • Handle phone calls and correspondence.  
• Write up order tickets.  
• Process paperwork for opening and closing accounts.  
• Record a client’s purchases and sales.  
• Inform clients of changes to their accounts. |
| **Education:** BA, BS, BBA | **Hours:** 50+ | **Salary:** $40,000 + bonuses |
### Investment Banking Career Paths

#### Corporate Finance: Career Path

<table>
<thead>
<tr>
<th>Role</th>
<th>Details</th>
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<tbody>
<tr>
<td><strong>Associate</strong></td>
<td>Positions are usually retained for MBA's, although some top-of-the line Analysts are now being promoted from within. Associates underwrite equity and fixed-income offerings, write sections of pitchbooks, participate in client meetings, and develop financial strategies. Associate positions are typically 3-4 year positions that often lead to promotion to Vice President. Associates work 80+ hours a week. Starting salary is $55,000 + bonuses.</td>
</tr>
<tr>
<td><strong>Vice President</strong></td>
<td>Vice Presidents (VP) manage financial modeling and pitchbook production, client relations, and deal team travel. VP positions are generally designed to be 3-5 year stints; if successful one is promoted to Managing Director. VP's can make anywhere from $160,000 - $360,000 / year + bonuses.</td>
</tr>
<tr>
<td><strong>Managing Director</strong></td>
<td>Develops, maintains and enhances relationships with client companies, typically focusing on one industry. Opens and closes deals. Salaries are $300,000 and up.</td>
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#### Trading: Career Path

<table>
<thead>
<tr>
<th>Role</th>
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<tr>
<td><strong>Trader</strong></td>
<td>It is often difficult for a Trading Assistant to become a Trader without an MBA. Traders trade stocks, bonds, options, futures, and derivatives. Many trade independently on their own accounts. Some have their own seat at a stock exchange. In some cases there is a job hierarchy above the Trader position, but the tasks performed are similar.</td>
</tr>
<tr>
<td>Research: Career Path</td>
<td><strong>Research Associate</strong>: Research Assistants can be promoted to Associate or one must enter with an MBA. Research Associates often feel like a cross between a statistician and a corporate finance analyst. Long hours (often 80+ per week), weekends in the office, and number-crunching sum up the routine of the associate. Associates make $75,000 + (large bonuses)</td>
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<td></td>
<td><strong>Analyst</strong>: Analysts follow particular industries, recommend stocks to buy and sell, and convince salespeople and buy-siders why they or their clients should or should not invest in a specific company. The road to becoming an analyst is either paved with solid industry experience, or through the research assistant/associate path. Analysts research industries, companies, strategies, and markets in the U.S. and abroad. They represent the bank’s point of view with respect to the financial worthiness of a firm or industry. Analysts regularly meet with corporate CEOs and CIOs. Having earned an MBA helps with respect to advancement and increased compensation. Analysts make $60,000+, but can earn multi-million dollar package if II-rated</td>
</tr>
<tr>
<td>Sales: Career Path</td>
<td><strong>Sales Associate</strong>: Sales Associates are an integral link between the research analysts and institutional investors. Associates are vital in building client relationships. Typically hired with an MBA, Sales Associates can make $70,000 + bonuses.</td>
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<tr>
<td></td>
<td><strong>Salesperson</strong>: Salespeople sell debt and equity issues. They typically focus on one region. Experience as an Associate is required. Pay is usually based on commission.</td>
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The Investment Banking Hiring Process

Recruiting Process

What I Need to Start Doing TODAY?

- Aim for an internship at a reputable firm. Make it a goal for your resume to be on the radar screens of every Wall St. recruiting director by January.
- Network – Talk to EVERYONE. Prove yourself to be dependable and accurate in your follow-up communication.
- Go to New York, or to wherever you want to be located, and introduce yourself to alumni that work in IB in that location. Ask for their observations, perspectives and advice on how to get connected with other industry players.
- If you’re a non-business student, take courses in accounting, finance, and technology.
- If you haven’t already done so, get involved in campus organizations – especially those that could use some help with managing their financial resources. You need to be able to show that you have some sort of financial orientation.

Getting Connected Before Recruiting Begins

- I-banking is all about relationships. Contacts matter.
- Again, talk to EVERYONE – alumni, relatives, parents, friends of parents, classmates, friends of classmates.
- Alumni I-bankers are among the best connections you can make – meet them, learn from them what’s happening in the firms (deals in the works, deals that they’ve worked on, trends). If they offer to take your resume to circulate among their co-workers, take them up on it. Ask if there are others within the alum’s firm that they could recommend to you for contacting.
- Remember – your goal is to be on recruiting directors’ radar screens by the December holidays, if you are seeking an I-bank internship.

Building Your Resume

What constitutes a good Investment Banking resume?

- Demonstrated quantitative and analytical skill
- Results orientation
- Written and verbal communication skills
- Team player mentality
- Reflect on industry exposure and/or experience, leadership skills and experience, knowledge of financial operations, multi-tasking skill, client service orientation.
- Do NOT include an objective on your I-bank resume.
- Use Times New Roman font in point size 10-12.
- Use bullet points to accentuate appropriate elements and make your resume easier to read overall.
• Use a basic, conservative format – avoid “flash.”
• Keep your resume to ONE PAGE. Multi-page resumes are often discarded. Print your resume and cover letter on matching white or off-white paper.
• **Attitude** – Enthusiasm for I-banking, commitment to the work, “can-do” attitude.
• **GPA** – GPAs of new I-bank hires tend to be in the mid 3-point range. Some firms won’t consider applicants with GPAs under 3.6. If your GPA isn’t strong, highlight work experience and campus involvement that show your ability to work hard and achieve.
• **Classes** – A good background in Math, Econ and Finance is helpful.
• **Activities** – I-banks look for leadership, teamwork, commitment and experience related to finance in extracurricular activities. Some also look for people who’ve been involved in sports, because the teamwork and dedication parallel the demands of I-banking. Be sure to include any activities that relate to finance: creating and/or managing budgets, serving as an organization’s treasurer, etc. Mention whenever possible the number of hours per week that you dedicate to your activities.
• **Work Experience** – Internships at I-banks are, of course, extremely helpful to include. If you didn’t have an I-bank internship, do your best to put a financial spin on the work you’ve done – highlight quantitative aspects of your work, if possible.
• **Community Service** – Firms love to see this on resumes. It shows dedication to issues and causes.
• **Well-Rounded Experience** – People with a wide variety of experiences are valued, especially those who can demonstrate intelligence in many areas outside of finance.

**The Investment Banking Interview Process**

**First Round**

This is the screening interview, the chance for the firm’s representative(s) to get to know you and your opportunity to express your enthusiasm for finance and highlight what you have accomplished that aligns with the Analyst position. Screening interviews will often take place at your own expense, at one of the firm’s offices. Be VERY prepared to discuss the following:

• Why are you interested in investment banking?
• Why do you want to work for (firm name)?
• What have you done to prepare for a career in investment banking?
• What courses have you taken that are relevant to IB?
• Describe what you’ve learned about yourself from being involved in (campus or volunteer activity).
• Can you summarize how your work experience relates to an IB career?
• What part of IB appeals to you most, and why?
• What’s been happening in the markets today? (Dow Jones, NASDAQ, yield on 10-year T-notes, Fed discount rate, GDP growth, average P/E of the stock market)
• How do you do a Discounted Cash Flow (DCF)?
Second Round, aka Super Saturday

This interview round can last anywhere from a half-day to an entire weekend, typically at corporate headquarters or at a regional office. You may be interviewed by over half a dozen people, sometimes two-on-one. You may experience “stress tests” designed to calibrate your ability to stay cool during tough situations. Preparation is the most important tool for acing this round. You MUST know and be prepared to discuss:

- Valuations – LBO analysis, DCF analysis, Precedent Transaction Analysis (Transaction Comps), Comparable Company Analysis (Comps), Accretion/Dilution Analysis. Financial ratios
- Stock analyses
- Financial Strategies
- Current events
- General accounting
- Knowledge of the firm – Total assets, # of customers, workforce distribution, rankings re: products, recent mergers/acquisitions, community involvement.

Other preparation items:

- Get into the habit of reading the online Wall Street Journal, the business section of the New York Times, or the Financial Times.
- Start following several stocks and be ready to discuss.
- Check the market activity before leaving the hotel for your interviews.
- Prepare a list of questions – but do NOT ask something that has already been addressed in another discussion.

You and other candidates may also be taken to dinner at the end of the interviewing day. Don’t let your guard down, and always remember names of people that you’ve met.
Questions you may encounter during the second round:

- Much of what you faced and answered in Round 1 will be repeated here. Answer them with the same enthusiasm that you displayed in your screening interview.
- Are you looking at opportunities outside of (e.g.) New York?
- What is your greatest strength? More importantly, your greatest weakness? If you get the latter question, focus your answer on a weakness that can be masked as a strength – for example, over committing to a work schedule. Also, have a backup answer – just in case the interviewer sees through this as an “easy out” and asks you to come up with a “true” weakness.
- How do your strengths compliment the demands of the Analyst position? Key characteristics to bring up include attention to detail, ability to take on multiple tasks, team orientation, desire and ability to work hard, analytical skill, and your overall interest and desire to work in IB.
- Do you have other offers? Be honest if you don’t – remember that IB is a small community.
- Why didn’t you intern in IB last summer? Again, if you didn’t do an IB internship, tie in the value of your summer work experience and its relativity to IB work.
- Behavioral Questions – You may or may not encounter behavior-based questions, but it’s best to prepare a few real-life examples that be applied to these types of questions.

Links to News on the Field

Links to Provide an Overview of Career Alternatives

Investment Banking Careers Overview

Investment Banking Career and Job Information

Investment Banking Salary Survey

Links to Keep You Current on Market Conditions and Trends

CNN Money Online

The Wall Street Journal

Institutional Investor Online
Links to Finance Associations

Securities Industry and Financial Markets Association

New York Society of Security Analysts

Other Resources

Investment Banking Websites

Barclays

BIA Financial Network, Inc.

Harris Williams & Co

Deutsche Bank

DMG Securities, Inc.

Ewing Bemiss & Co.

Goldman Sachs

Guggenheim Partners

HSBC

JPMorgan Chase & Co.

Lazard Middle Market

Legg Mason

Matrix Capital Markets Group

Ocean Tomo

Standard and Poor’s
Investment Banking Websites (Other Firms)

ABN Amro

Banc of America Securities

Citigroup Inc.

Credit Suisse First Boston

Piper Jaffray

WR Hambrecht

Finance / MBA Graduate Programs

Northwestern (Kellogg) (MBA)

University of Virginia (MBA - Concentration Finance)

William & Mary (Mason School of Business) (MBA)

University of North Carolina (Kenan-Flagler MBA)

University of Pennsylvania (Wharton School) (MBA)

University of Chicago (MBA)