

GENERAL FINANCE INFORMATION

CREATED BY UCSB FINANCE CONNECTION

VERTICALS OF FINANCE

1 INVESTMENT BANKING

At its core, an investment bank is a financial institution that provides advisory services and helps clients raise capital. These clients include individuals, private and public corporations and government entities. Investment bankers underwrite new debt and equity securities for all types of corporations, aid in the sale of securities, and help to facilitate M&A, reorganizations, and broker trades for both institutions and private investors.

Two Types of IB's:

- **Bulge Bracket:** Primarily mid to large cap clients, structured & institutionalized, full range of service offerings, bureaucratic, has global presence
- **Boutique:** Primarily small to mid cap clients, entrepreneurial, generally focused only on advisory, less bureaucracy, generally regional presence.

Hierarchy/Roles:

- **Analyst (2-3 years):** Create financial models, conduct research, put together presentations, aggregate data, perform administrative tasks. Integral in undergraduate recruiting process. Typically interact with clients only during deals – not responsible for client management or relationship.
- **Associate (3-5 years):** Manage day to day components of a deal, monitor and review analyst work, draft memos, create presentation “shells”, understand more advanced technical concepts. Integral in undergraduate and MBA recruiting. Interact with clients frequently regarding deal logistics.
- **VP/Senior VP (5-8 years):** Responsible for overall deal execution, reviewing analyst and associate work, and orchestrating interaction with other groups within the bank “Staffers” are usually VP-level employees. Establish client relationships, point of contact for client regarding work or deal-related issues. Sometimes involved in recruiting efforts – final round interviews.
- **Director/MD (10+ years):** Responsible for managing client relationships and winning business, negotiating deal teams, running client meetings, developing high-level deal strategies. Report group results, discuss strategies with bank’s senior executives. Have established long-term client relationships.

2 PRIVATE EQUITY

Investors/funds that make investments in private companies or conduct buyouts of public companies. Private equity comes from high-net-worth individuals and firms that purchase stakes in private companies or acquire control of public companies with plans to take them private, eventually removing them from stock exchanges.

Perform two main functions:

- deal origination/transaction execution
- portfolio oversight

Often take company private for 5-7 years then “Exit” via IPO or sale

Typically conduct Leveraged Buyouts (LBO's)

Private equity managers usually use the money of investors to fund its acquisitions – investors are hedge funds, pension funds, university endowments or wealthy individuals

- It restructures the acquired firm (or firms) and attempts to resell at a higher value, aiming for a high return on equity
- Private equity makes extensive use of debt financing to purchase companies in use of leverage

General entrance into PE:

- IB analysts at bulge-brackets or higher boutique firms
- Undergraduates that go directly into PE junior roles

3 MANAGEMENT CONSULTING

- Improve company performance
 - Analyze existing business problems
 - Create a plan for improvement
- External advice and specialized expertise, e.g. ‘Best Practice’ consulting
- General consulting process: define objectives and goals, understand existing process and problems, gather and analyze data, evaluate data, develop strategies and solutions, make recommendations, implement solutions, monitor performance of new process

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ASSET MANAGEMENT

- Refers to the management of investments on behalf of others
- Goal is to grow a client's portfolio over time while mitigating risk
- Service offered by financial institutions catering to high net-worth individuals, government entities, corporations and financial intermediaries

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WEALTH MANAGEMENT

Refers to the management of the assets of ultra high net worth (UHNW) and high net worth (HNW) individuals and families as well as small institutional investors. Based on a close working relationship with clients of complex financial needs and understanding of the various products available to create a high performing portfolio. Investment banks, asset management firms, and third-party consultants are very involved.

General descriptions:

- spirited, entrepreneurial people
- investment focus and broad based knowledge of the market, equities, bonds, and derivative products
- Good people relationship skills

Roles:

- Account management/sales associates assist in creating portfolio review presentations and developing promotional presentations for potential new clients. Lots of cold call and networking. Also, pitches directly to the client and help client decide which investment manager to use.
- Product management/product specialist should have great in-depth knowledge of product(stock, mutual fund, mortgage) strategy.
- Product associates seek new assets to put into their fund have a strong understanding of the fund's investment performance.

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CORPORATE FINANCE

Associated with how corporations deal with funding sources, capital structuring, and investment decisions. Primarily concerned with maximizing shareholder value through long and short-term financial planning and the implementation of various strategies. In addition to capital investments, often deals with sourcing capital.

General Tasks:

- Capital Investments
 - Make capital investments and deploy a company's long-term capital
 - Primarily concerned with capital budgeting
 - Identify capital expenditures, estimate future cash flows from proposed capital projects, and decide which projects to include in its capital budget
- Capital Financing
 - Balancing act in terms of deciding on the relative amounts or weights between debt and equity
- Short-Term Liquidity
 - Ensure that there is enough liquidity to carry out continuing operations
 - Concerns current assets and current liabilities or working capital and operating cash flows
 - May also involve getting additional credit lines or issuing commercial papers as liquidity back-ups

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SALES & TRADING

- Primary role is "market making" – the process of buying and selling financial products, creating a marketplace that other players can enter
- Call institutional investors with ideas and opportunities, and traders who execute orders and advise clients on entering and exiting financial positions
- Often specialize in a specific area: stock, bonds, commodities

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VENTURE CAPITAL

- High-risk, high-return investing; subset of PE
- Raise capital for new growth prospects that are too small to capital through public markets
- Profit through equity ownership
- Target clients include high technology industries, such as IT, software, and biotechnology
- Enter with an exit strategy of eventual sale of company
 - Entry into VC often represents a start of a second career:
 - Previous successful entrepreneur
 - Manager of established company
 - Investment banking analyst in relevant industry
 - Equity research analyst
 - Top MBA candidates

TIMELINES

1

SUMMER INTERNSHIP

- Most applications open July-August
 - Some applications do open as early as March, as in the case of 2020
 - Be sure to sign up for the company's Talent Network or email list to keep up with dates and deadlines
- Mostly due in September-October
- Many applications are “rolling”, we recommend applying to these earlier rather than later as they will pick candidates before the application closes
- Lots of summer interns will get a return offer for full time role

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FULL TIME OFFERS

- Applications open May-June
- Mostly due in August-September
- Interviews and superdays are also in August-September
- Longer application period, but also rolling, so apply early!

RECOMMENDED SOURCES

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EMAIL LISTS & NEWSLETTERS

- Subscribe to bank email lists, online news, and email newsletters
 - SeekingAlpha's Wall Street Breakfast
 - Morning Brew
 - Your Money by The New York Times
 - Wall Street Journal
 - Yahoo Finance
 - Market Watch
 - Investopedia