

Investment Banking – Course Syllabus



Course GB-2334.70

Summer—2014

Room—5-90

Prof. Frederick C. Militello, Jr.

Department of Finance

Course Description

This course delves into the structure, management and practices of investment banking (IB)—from larger more universal players to boutique operations. It covers the business activities of mergers and acquisitions, financing and investment; and, the creation of value through financial advisory services. It looks into the business practices of private equity, hedge funds and trading operations; and, the role of each in facilitating investment, the deployment of capital and the changing face of risk-taking activities. The course emphasizes the role of the IB financial advisor and his/her importance in securing and facilitating IB business opportunities. This course is about the businesses of investment banking.

Some of the “bigger” questions this course addresses are:

- What does it mean to be—or take to become—a “player” in this business?
- How do IB businesses actually add value for their customers—and, make money for their employees, partners and shareholders?
- What synergies and conflicts exist across the various IB business lines and practices; and, how are they addressed?
- How can IB’s and related businesses regain/retain their respect and brand recognition in the market—bringing to the forefront the status of “trusted” financial advisor?
- What’s the future for the IB industry and what role can you play in that future either as a practitioner or client?

Importantly, through our class discussions and case-study work—each student will bring the answers to these questions into personal focus. Students are exposed to both the diagnostic and prescriptive processes of IB allowing them to partake in the financial advisory process; and, understand what it means to be an IB practitioner or valued client.

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Course Outline

Class One—June 30, 2014

The World of Investment Banking (IB)

This first class explores the business of investment banking (IB) from both a historic and current perspective. It highlights the forces that have transformed the business to what it is today—and what it is becoming. It utilizes examples from the industry discussing different strategies and approaches to the business as well as delineating those performance indicators that are crucial to assessing the success or failure of the industry. Topics to be discussed¹ include:

- The evolution of investment banking—a journey of both form and substance
- Today’s major players—their reach and performance
- The culture and organizational structure of investment banks—the changing face of leadership, risk management, professional behaviors and organizational values
- The structure of investment banks—public versus private, universal versus boutique, the road to the top—vice presidents, managing directors and partners—and the accolades of success
- Securities regulation and ethics
- Employment opportunities in investment banks—what investment bankers actually do to add value and receive the recognition and rewards that they do

Assignments

Please Read: Chapters 1-5 and 16

Class Two—July 2, 2014

The IB Customer and Investment Banking

Being a financial advisor in the investment banking business requires a combination of the right skills and behaviors. Together, these comprise the competencies of the financial advisor. This second class takes a client needs perspective and provides a framework for both the diagnosis of client financial needs and their relevant IB solutions. This advisory overlay is used throughout the course. This class covers:

- The role of the IB financial advisor/advisory business—a journey to the top of Maslow’s pyramid
- How to present value to the client—and get paid for it
- Understanding client needs—an IB diagnostic approach

¹ On the first class we will also discuss the syllabus, course requirements and expectations.

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- Investment banking product and solutions as a spectrum of risk/return and/ or flexibility/cost alternatives—an IB prescriptive approach
- Tools for aligning client needs with IB financial solutions (IB advisory tool box)
- Developing an IB “pitch” book/framework
- Becoming the best IB financial advisor one can possibly be—a journey of behavioral and skillful competencies

Assignments

Taking the role/perspective of an IB financial advisor,² please prepare and be ready to discuss:

Case “Hill Country Snack Foods Co.”

Class Three—July 7, 2014

The IB Business of Equities

- Unfinished business—continued discussion on the IB customer and investment banking
- The investment banker’s perspective of the equity business
- Equity underwriting—key players and what they do to remain so
- IPO’s and follow-on issues
- Secondary trading and business synergies—a look at the equity-business and the value the investment bank brings to the table
- The role of venture capital and private equity firms—their evolution, structure, participants and investment objectives
- Private equity exit strategies

Assignments

Please read: Chapters 6, 8 and 11

Class Four—July 9, 2014

The IB Business of Equities (Continued)

- Unfinished business—continued discussion on equities

Assignments

Taking the role/perspective of an IB financial advisor, please prepare and be ready to discuss:

Case “Prada: To IPO or not to IPO, that is the Question Again”

² In the second session of the course an IB advisory framework will be provided. This framework (including various tools) will be built upon as the course progresses and should be applied to the case work/class discussions accordingly. Assignments for each case/class will be posted to NYU Classes.

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Class Five—July 14, 2014

The IB Business of Debt/Fixed Income

- The investment banker's perspective on the fixed-income business
- The spectrum of debt alternatives
- Issuance approaches and procedures
- Secondary trading and business synergies—a look at each and the value the investment bank brings to the table
- Shelf registrations and other regulatory considerations
- The business of asset securitizations
- The role of the credit rating agencies
- High-yield debt and financial leverage
- Leveraged recapitalizations—more than a financial transaction?

Assignments

Please read: Chapters 9 and 10

Class Six—July 16, 2014

The IB Business of Debt/Fixed Income (Continued)

- Unfinished business—continued discussion on debt/fixed income

Assignments

Taking the role/perspective of an IB financial advisor, please prepare and be ready to discuss:
Case “Sealed-Air’s Leveraged Re-capitalization—A & B”

Class Seven—July 21, 2014

The IB Business of Trading

- The evolution of trading—lessons not to be forgotten
- The structure of the business—brokers, traders and the sales (advisory) desks
- Market-makers, hedge funds and speculators
- Types of trading—customer and proprietary trading
- The role of hedge funds—regulatory considerations
- Liquidity and the secondary markets
- How traders make money—spreads, positions, speculation, arbitrage and market manipulation
- The new “boys” on the street—dark pools, algorithmic high-frequency trading
- Risk-monitoring and control—the Whale of London, insider-information, “unauthorized-trades” and those “rogue traders”

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Assignments

Please read: Chapters 12-14 & 15 (sections on hedge funds)

Class Eight—July 23, 2014

The IB Business of Trading (Continued)

- Unfinished business—continued discussion on trading

Assignments

Please prepare and be ready to discuss:

Case “JP Morgan: Lessons Learned”

Case “Was Insider Trading Ahead of Takeovers a Problem?”

Class Nine—July 28, 2014

The Business of Mergers and Acquisitions

- Investment bankers—The CEO as the client
- The business of M&A—restructuring the business portfolio of the client
- The M&A value chain—the “buy” and “sell” sides of the equation
- The theory and practice of M&A—creating value: managing business asset portfolios and capital structure
- Equity separations—spin-offs, split-offs, carve-outs
- Private-equity driven deals—structures and expectations
- The growing influence of activist investors
- Strategic investment driven deals—structures and expectations
- The valuation, pricing, and fee structure of M&A deals
- Financing and exit strategies—monetizing value through financial strategies

Assignments

Please read: Chapter 7

Class Ten—July 30, 2014

The Business of M&A (Continued)

- Unfinished business—continued discussion on the business of M&A

Assignments

Taking the role/perspective of an IB financial advisor, please prepare and be ready to discuss:

Case “Transforming Tommy Hilfiger A & B”

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Class Eleven—August 4, 2014

The IB Wealth Management Business

- The IB advisory function—building a wealth management business platform
- Doing well by doing good—reflecting on alternatives to build wealth
- The heart of the client—his/her business
- Confronting the forces of business change
- The business attributes of wealth management—business and ownership life-cycles, getting “personal” while staying professional
- Maslow’s pyramid—a framework for assessing wealth management needs
- The investment profiles of wealth management customers
- Wealth management business synergies—cross-selling opportunities
- The product set of wealth management solutions

Assignments

Please read: Chapter 15

Taking the role/perspective of an IB financial advisor, please prepare and be ready to discuss:

Case “Henry Schein: Doing Well by Doing Good?”

Class Twelve—August 6, 2013

The Future of the Businesses of Investment Banking

- IB in developed markets
- IB in “emerging” markets
- Business and employment opportunities

Assignments

Please read: Chapters 17-19

Course Information

Course Prerequisites

Students registering for this course should have had previous courses in basic economics, accounting and financial analysis at the undergraduate or graduate level. Any concerns should be discussed with the professor. This course can be taken concurrently, before or after Global Banking and Capital Markets.

Logistics and Pedagogy

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The course is conducted over twelve classes. Classes begin on June 30, 2014 and end on August 6, 2013. Classes will meet in room 5-90. Appointments are always possible and encouraged—please contact fmilitel@stern.nyu.edu.

The course is discussion and case-oriented, and accordingly emphasizes classroom and case-study participation; requiring students to apply principles developed in class to actual investment banking challenges and opportunities. The course does not involve routine lectures on material presented in the readings; however, all assigned readings and case preparations should be completed prior to the class for which they are assigned.

There is a course packet available through the bookstore—including the course case work.

Required Text Book

For this course we will use *The Business of Investment Banking: A Comprehensive Overview* written by K. Thomas Liaw (third edition, Wiley 2012). The text will be supplemented by additional readings (posted to NYU Classes) as well as by a case packet. Both the text and case packet are available through the NYU professional bookstore.

For students wishing to read further on the topics covered in this class another good text is *Investment Banks, Hedge Funds and Private Equity* by David P. Stowell (second edition, Academic Press 2013). It is not a required text.

Final Examination—to be discussed

This is a rigorous course covering a significant amount of material. The application of such is critical to the assessment of each student's performance. Accordingly, the final examination takes the form of a take-home assignment—to be discussed in class.

Grading Guidelines—to be discussed

General class participation 20%

Case work preparation/participation 30%

Quizzes and Final Examination 50%

Professor

Frederick C. Militello, Jr., is CEO/Senior Thought Leader of Future Change Management, LLC. He works with top corporate and investment banking leaders and business strategists in a wide-range of organizational and change initiatives. These include enterprise and global market strategies—covering both corporate and investment banking. He has also developed and

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facilitated financial policies and strategies for many of the world's leading corporations; including M&A integration assignments for some of the largest companies in the world.

He is an adjunct GBS professor of finance at New York University's Leonard N. Stern School of Business. He teaches both Global Banking and Capital Markets; and, Investment Banking. He has been teaching at Stern since 1990.

For three decades, he has been a leading practitioner and thought leader to bankers and financial executives around the world. Specifically:

- He has held numerous senior executive positions such as vice president, division executive and managing director for the Chase Manhattan Bank responsible for their global corporate consulting, financial advisory services and merchant banking activities out of New York and London. At the bank he worked closely with both corporate and external investment bankers to construct leading-edge financial transactions and business approaches that were fundamental to the transformation of banking and the capital markets.
- Both as a banker and independent advisor, over the years, his corporate clients have included some of the world's largest corporations including Apple Computer, McDonald's, Monsanto, Sandoz, Gillette, etc., and well-known financial organizations around the globe—both in developed and emerging markets.
- He has worked his way through Wall-Street holding financial positions for US Steel Corporation, Mobil Oil Corporation, the Bank of Boston International and the American Stock Exchange. Starting at the bottom—as a “messenger,” clearing-house “runner,” and foreign exchange position clerk—he moved-up through the ranks to senior management positions for both corporate and international banking departments. He also was employed by Business International Corporation (acquired by the Economist Intelligence Unit) where he started one of the first financial publications for senior financial executives; namely, *Business International Money Report*.
- He has been founder and co-owner of two Wall Street-based financial/educational advisory practices with an emphasis on corporate and investment banking—organizational structure, business and product line development and a wide-range of senior leadership issues and challenges. In the capacity of a senior thought leader thousands of bankers attended his seminars and workshops on both technical and behavioral competencies.

Frederick has written books in the fields of finance and banking including:

. *Leverage Competencies: What Financial Executives Need to Lead;*

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. *The Empowered Organization: Redefining the Roles and Practices of Finance;*

. *Integrity-Based Financial Leadership and Ethical Behavior;*

. *Reassessing Corporate Banking Relationships: Issues, Practices and New Directions;*

. *Foreign Exchange Risk Management: A Survey of Corporate Practices.*

He has just completed a professional paper (to be published in July, 2014) by the *Journal of Financial Perspectives*: namely, “The Unintended Consequences of Regulations: Lessons learned from the Banking and Alternative Asset Management Businesses.”

He has been a speaker and Chair Person for educational organizations including the Belgian-American Chamber of Commerce, Management Centre Europe, the American Management Association and a guest professor at the Rotterdam School of Management and the Vlerick Gent Leuven School of Management.

As a scholar he was awarded the Wall Street Journal Student Achievement Award in Economics and is a professional member of the World Future Society and Strategic Planning Society.

Educated in New York, Frederick studied at Pace and Columbia Universities earning advanced degrees in economics and international economics.

He has sat on boards for numerous not-for-profit organizations such as the Children’s Media Project and the Durham Historic Preservation Commission (Chair). He is married, has three daughters, two grandchildren and lives on their family-run horse farm. He has a passion for cooking and is a graduate of the Culinary Institute of America—Boot Camp Program.