

Career Paths in Finance



UNC
KENAN-FLAGLER
BUSINESS SCHOOL



FINANCIAL
TRAINING
PARTNERS














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Finance Development Program

Career Paths in Finance	August 14 th (5 – 7pm)
Tracking the Markets - Using General Economic Knowledge to Ace Interviews	August 17 th (12:30 – 1:45pm)
Excel Best Practices	August 19 th (5 – 9pm)
Intro to Financial Modeling	September 4 th (9am – 1pm)
M&A Strategy and Corporate Valuation	September 11 th (9am – 5pm)
Anatomy of a Deal	October 2 nd (10am – 4pm)
LBO Modeling Workshop	October 20 th (4:30 – 8:30pm)
Restructuring & Credit Analysis	November 5 th (9am – 5pm)
Private Equity Interview Prep	December 5 th (9 – 11:30am)
Finance (primarily IB) Interview Prep	December 5 th (12 – 3:30pm)
Company Analysis, Products & Structuring Seminar	May 9 – 12, 2016

These
classes are
useful for all
students!

These
classes
delve
deeper
into
specific
topics

 \$4 billion Senior Notes <i>Joint Bookrunner</i> May 2013	 \$1.0 Billion Bridge Facility Sole Underwriter / Sole Lead Arranger February 2012	 \$2.0 billion Senior Notes <i>Joint Bookrunner</i> February 2013	 \$253 million Convertible Notes Offering Joint Bookrunner June 2013
 has agreed to acquire  \$37.9 billion	 has agreed to be acquired by  \$7.1 billion	 \$147 million Initial Public Offering Joint Bookrunner June 2013	 \$248 million Follow-On Offering Joint Bookrunner June 2013
 has separated its research-based pharmaceuticals business  in a 100% tax-free spin-off \$64.1 billion	Michael Dell &  have agreed to acquire  for \$24,400 million Financial Advisor, Joint Lead Arranger and Bookrunner on the Acquisition Financing Pending	 \$500 million Senior Notes <i>Joint Bookrunner</i> May 2013	 \$225 million Senior Secured (2 nd Lien) Notes <i>Joint Bookrunner</i> June 2013

What's new in finance?

- **Markets are hot**
 - Near record volumes in financings and M&A
 - How long will this continue?
- **Capital flows are increasingly global**
 - Markets follow this trend
 - Career opportunities follow this trend
- **Things are constantly changing**
 - Innovation
 - Regulation!

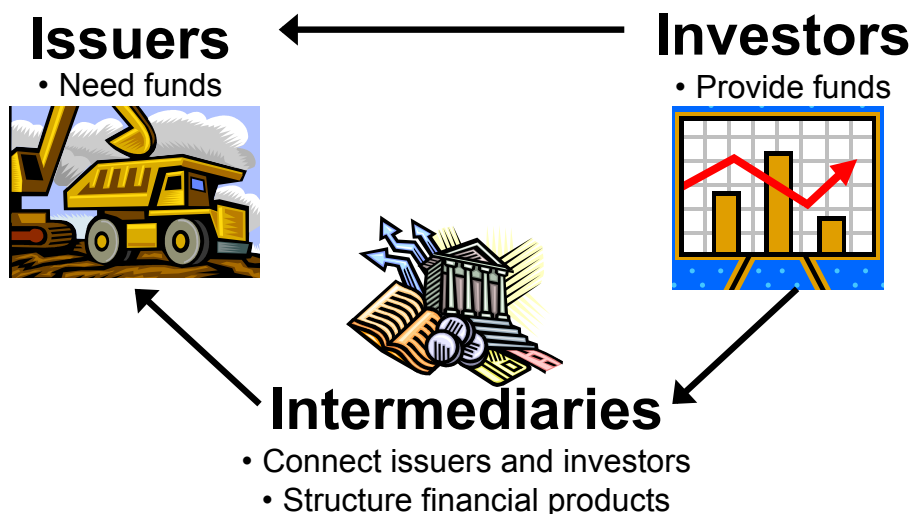
Why choose finance?

- Interesting, challenging work
- Continuously steep learning curve
- Attractive compensation
- Career movement

- Work life balance?
- Competition and stress?
- Industry volatility?
- Long hours?

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What is finance?



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Jobs in Finance

Industry Finance

Commercial / Industrial / Tech Companies
Treasury / Acc't / Planning / Bus Dev



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Industry Finance

- **Work directly for a company** to help it:
 - Find money to run the business, grow the business, make acquisitions
 - Manage risks
 - Plan for its financial future
 - Manage cash on hand
 - Manage interactions with investors

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Groups in Industry Finance

Corporate Finance

Long-term planning and execution

- Capital structure
- Acquisitions
- Divestitures

a/k/a corporate or business development, strategic planning

Treasury

Financing & investing

- Debt & equity issuance
- Cash management
- Asset management
- Risk management

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Financing Toolkit

	Investment Grade	Non Investment Grade
Money Market	Commercial Paper	
Bank	Backstop Revolvers	Revolver, Term Loan
Bond	High Grade, Shelf	High Yield, 144A
Securitization	If possible	If possible
Private Equity		Venture, LBO, Mezz
Public Equity	Common	Common, Converts

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Groups in Industry Finance

Financial Planning and Analysis

Works with operating areas

- Prepares and tracks budgets
- Analyzes trends
- Prepares management presentations
- Approves major capital expenditures
- Ensures effective allocation of capital
- *a/k/a Divisional Finance*

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Groups in Industry Finance

Investor Relations

Translates the business for shareholders

- Quarterly earnings reports
- Analyst relationships and communication
- Road shows and banking conferences

Other

- Accounting
- Tax
- Audit
- Project management
- Etc.

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A young boy wearing a brown cap and a dark suit stands in front of a brick wall. He is holding a dark rectangular sign with the words "for hire" written in white chalk. The background is a slightly out-of-focus brick wall.

Jobs in Industry Finance

- **Financial Analyst:**
 - In one group or with a rotation through several groups
- **Management Training Program:**
 - Formal program with training, managed rotations, mentors
 - 1-4 years
 - *a/k/a Financial Leadership Program*

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Working in Industry Finance

- **More exposure internally**
 - Develop strong understanding of the company's operations
 - Work with investors and bankers
- **Generally predictable work hours**
 - Regular deadlines (e.g. quarter end)
- **Requires strong analytical and interpersonal skills**
- **Occasional fire drills**
 - Financings, acquisitions

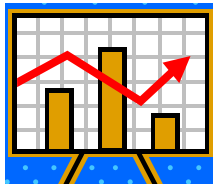
Sample Employers in Industry Finance



Jobs in Finance

The Buy Side

Asset Managers
Buyout / Venture / Hedge



The *Buy Side*: Who are the investors?

Individuals

High net worth
Retail investors

Invest in...

Equity (directly & indirectly)
Bonds (indirectly)
Municipal Bonds (directly)
Alternatives (high net worth)

Institutional Investors

Money managers & mutual funds
Insurance companies
Pension funds & endowments

Corporate bonds and loans
MBS & ABS
RE & alternative assets
Public & private equity

Buyout / Hedge / VC Funds

Private investment partnerships

High risk debt and equity

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Investor Objectives

1) Satisfy investment policies

- **Asset allocation:**
 - Equity, debt, cash, alternative assets
- **Investment criteria:**
 - Issuer: size, industry, location, risk
 - Market: sector, product, maturity, duration, risk



2) Investment choice (within each asset class)

- **Maximize return**
- **Minimize risks**
- **Relative value**

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The *Buy Side*: Who are the investors?

Individuals

High net worth
Retail investors

Institutional Investors

Money managers & mutual funds
Insurance companies
Pension funds & endowments

Fixed Income

Institutional Investors

- Blackrock, Vanguard, State Street, Fidelity, Legg Mason, Pimco
- Metlife, Prudential, NY Life, TIAA-CREF

Buyout / Hedge / VC Funds

Private investment partnerships

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A young boy wearing a dark cap, a pinstriped suit jacket, and dark trousers stands on a dirt path. He is holding a dark rectangular sign with the words "for hire" written in white chalk. The background is a light-colored brick wall.

Jobs in Asset Management

- **Portfolio Managers:** invest money on behalf of clients; make the buy / sell decisions
- **Research Analysts:** provide analysis and investment recommendations (*buy side analyst*)
- **Marketing and Sales:** sell investment products and services to institutional and individual investors

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Working in Asset Management

- *a/k/a Investment / Money / Portfolio Management or the Buy Side*
- MBA hires typically in Marketing and Sales
- Requires strong analytical and communication skills
- Portfolio Manager or Research Analyst hires typically come with experience (i.e. from the sell side)

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The *Buy Side*: Who are the investors?

Individuals

High net worth
Retail investors

Institutional Investors

Money managers & mutual funds
Insurance companies
Pension funds & endowments

Buyout / Hedge / VC Funds

Private investment partnerships

Working with High Net Worth Individuals

- *Private Banking, Private Wealth Management, Private Client Services*
- UBS, Credit Suisse, Morgan Stanley, Bank of America, Wells Fargo, Goldman Sachs, Citi, JP Morgan
- Regional and local commercial and investment banks

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Private Wealth Management

- **Manage money for high net worth individuals**
 - Includes asset allocation, estate planning, tax planning, trusts, etc.
 - Focus on *assets under management (AUM)* and distribution of investment products
 - Charge advisory fees and/or commissions
- **Requires strong interpersonal skills**
 - Strong sales and client services components
 - Must be able to explain complex concepts to experts and novices

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A young boy in a dark suit, white shirt, and dark cap stands on a dirt path against a brick wall. He is holding a dark rectangular sign with the words "for hire" written in white chalk. The image is part of a presentation slide titled "Jobs in Wealth Management".

Jobs in Wealth Management

Relationship Manager: Manages client relationship and develops new *business (a/k/a private banker or private wealth advisor)*

Investment / Product Specialists
Provide clients with market analysis and execute trades

MBA hires: Apprentice Relationship Manager (with compensation eventually linked to the fees you bring in)

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Sample Investment Mgmt / PWM Employers



The *Buy Side*: Who are the investors?

Individuals

High net worth
Retail investors

Institutional Investors

Money managers & mutual funds
Insurance companies
Pension funds & endowments

Buyout / Hedge / VC Funds

Private investment partnerships

Buyout (PE) Firms

- Carlyle, KKR, Blackstone, Apollo, TPG, Bain, Cerberus

Hedge Fund Managers

- Bridgewater Associates, Paulson & Co, D.E. Shaw, Goldman Sachs

Venture Capital Firms

- Sequoia Capital, Kleiner Perkins, NEA, Google Ventures, SV Angel

Types of Private Equity

Venture Capital

- Start-up companies; often technology, healthcare or business services
- May have several stages of investors
- Little or no leverage
- Actively involved in management

Buyout

- “Financial Sponsors”
- Mature companies with stable cash flows
- High leverage

Hedge Funds

- Strategies: global macro, directional, event driven, relative value (arbitrage)
- Fund of Funds invest in several hedge funds
- High risk strategies; highly leveraged

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Financial sponsors

Private equity firms & other financial institutions

- Kohlberg Kravis Roberts (KKR), Thomas H. Lee Partners, Carlyle Group, Blackstone Group, etc.
- Goldman Sachs, Citigroup, J.P. Morgan, etc.

... establish buyout funds ...

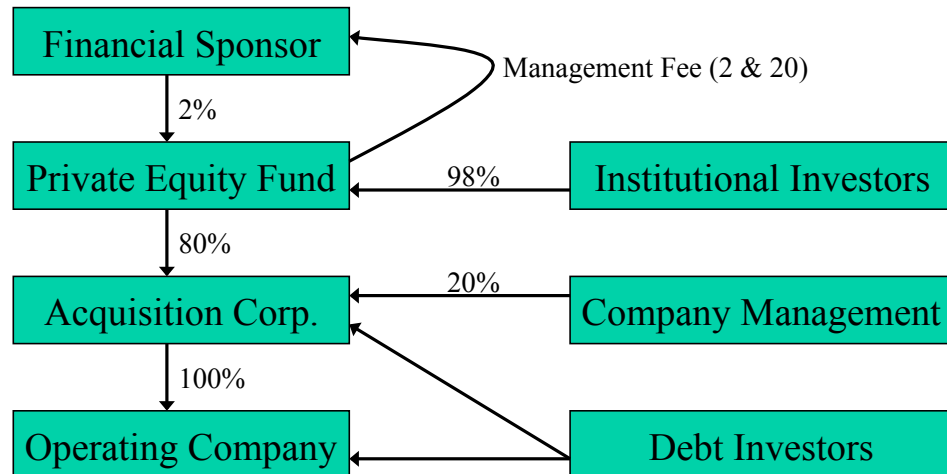
- KKR Fund 2006 (\$16 billion), Carlyle Partners V (\$15 billion), GS Capital Partners VI (\$20 billion)

... by raising funds from institutional investors

- Pension funds, endowments, insurance companies, foundations, etc.

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Financial Sponsor: Typical corporate structure



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Jobs in Private Equity (buyout, hedge funds and VC)

- ***Few hires directly from business school***
- Most hires come from the sell side and/or have industry knowledge or experience
- Search firms target Analyst and Associates from investment banks

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Jobs in Finance

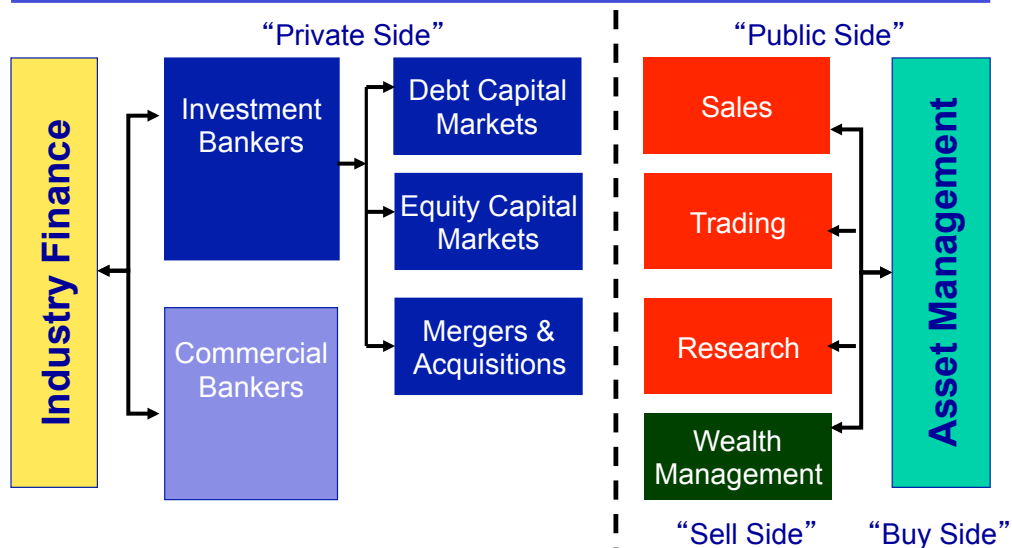


Banking

Investment / Commercial Banks
Private Wealth Management
Sales / Trading / Research

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Career Paths in Finance



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How banks segment issuer clients

By size

- **Large corporate** (sales above \$500 million to \$2 billion)
- **Middle market** (sales above \$25-50, below large corporate)
- **Business banking** (sales below \$25-50 million)

By industry

- **Coverage groups** for *large corporate clients* include: energy & power, healthcare, consumer & retail, industrials, media and telecom
- **Specialized groups** for financial sponsors, financial institutions (*FIG*), real estate, and governments

By geography

- More common in the *middle market and business banking*

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Jobs in Commercial Banks



- **Relationship Managers:**
develop new business from corporate borrowers
- **Risk Managers:**
approve loans and trading lines
- **Analysts & Associates:**
support relationship and risk managers

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Jobs in Investment Banking

Investment Banker: Manages client relationships and develops new business

M&A Specialist: Advises clients on mergers and acquisitions

Capital Markets Specialist: Advises clients on debt (*lev fin* or *DCM*) or equity (*ECM*) financing

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Groups in Investment Banking

Industry Groups

- Energy & Power
- Financial Institutions (FIG)
- Real estate
- Technology, Media, and Telecom (TMT)
- Healthcare
- Consumer Products & Retail
- Industrials

Product Groups

- Mergers & Acquisitions (M&A)
- Equity Capital Markets (ECM)
- Non-investment Grade Debt Capital Markets (Leveraged Finance)
- Investment Grade Debt Capital Markets (DCM)

Typical investment banking career progression



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Roles of the Investment Banking Associate

- **Marketing**

- Prepare marketing materials (i.e. *pitch books*)
- Company & industry research; comps



- **Execution**

- Due diligence
- Forecast and valuation
- Drafting internal deal memos, external selling documents, presentations
- ***Quarterback of the deal team***

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Working in Investment Banking

- **Investment banks have large new-hire programs**
 - Most banks use summer internships as a “tryout” – make full-time offers at the end of the summer.
- **Hours are long and unpredictable**
 - 12+ hour days (plus weekends) are not unusual
 - Most banks have “protected” days off (e.g. Saturdays)
- **Requires strong technical skills, attention to detail, and ability to work in a team**
- **Bonuses are a significant part of compensation**

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Segments in the i-banking industry

Bulge Bracket Investment Banks / Universal Banks

- Provide a full range of services across the globe
- Very large Analyst & Associate classes: typically around 50-80+
- Goldman Sachs, JP Morgan, Morgan Stanley, Deutsche Bank, BofA Merrill Lynch, Citi, Wells Fargo, Barclays

Middle Market and Boutique Investment Banks

- Specialize in a few aspects of Investment Banking (e.g. advisory, IPOs), smaller companies, or specific industries
- Smaller Analyst & Associate classes: 5-25
- Harris Williams, BlackArch Partners, Piper Jaffray, Lazard, Evercore, Jefferies, SunTrust Robinson Humphrey, William Blair, Rothschild, Greenhill, Houlihan Lokey

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Sample Investment Banking Employers



Jobs in Markets

Sales: Sell primary and secondary debt and equity to institutional investors; segmented by product and investor classes

Trading: Maintain a secondary market for debt and equity; segmented by product

Research: Provide research and recommendations on companies, products, and the economy (*sell side research*)

Working in Markets

- **Sales and Trading are *FIFO* jobs**
 - Typical hours are 6:30 to 5:00; no weekends
 - Apprentice model on the trading floor
- **Requires strong sales skills and product knowledge**
- **Fewer jobs in Research than other areas**
 - Sell side vs. buy side
 - Economics, equity, fixed income
 - Industry experience a plus

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Other Parts of a Bank

Front Office

- **Client Coverage Groups**
- **Product Groups**
- **Sales, Trading, Research**

Middle Office

- **Risk Management:** analyzes and controls market and credit risks
- **Trade Support:** assists traders with trade processing

Back Office

- **Operations:** confirms and settles trades, processes and monitors loans
- **Technology:** develops and supports proprietary software, data and systems

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Company Analysis, Products and Structuring (“CAPS”) Seminar

May 9-12, 2016

For students considering careers in finance

- Commercial banking
- Investment banking
- Industry finance
- The buy side
- Wealth management
- Private equity

The same class we teach at banks

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