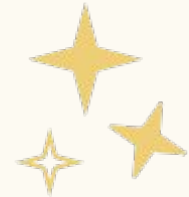




Finance Committee

Week 7 Meeting

Meeting Overview



01 Investment Banking

get an overview of what IB is, the recruiting timeline, and types of technical questions that could be asked

02 Accounting

get an overview of what accounting is, recruiting timelines, and types of technical questions that could be asked

03 Q&A

Feel free to ask any questions about what we presented, or any general questions you have

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Investment Banking

Investment Banking



- **What is it?**

- a type of banking that organizes large, complex financial transactions such as mergers or initial public offering (IPO) underwriting. These banks may raise money for companies in a variety of ways, including underwriting the issuance of new securities for a corporation, municipality, or other institution.
- Investment bankers work with corporations, governments, and other groups. They plan and manage the financial aspects of large projects.
- Investment banks earn profit by charging fees and commissions for providing these services and other kinds of financial and business advice



- **Subjects of IB:**

- **Product:** Bankers in product groups have product knowledge and tend to execute transactions related to their product in a variety of different industries. Their specialty is on the product execution not the industry
 - Mergers and Acquisitions (M&A)
 - Restructuring (RX)
 - Leveraged Finance (LevFin)
- **Industry:** Bankers in industry groups cover specific industries and tend to do more marketing activity (pitching). Industry bankers also tend to have more of the relationships with companies' senior management than do product bankers (although this is not always true)
 - Consumer & Retail
 - Energy and Utilities
 - Financial Institutions Group (FIG)
 - Healthcare
 - Industrials
 - Natural Resources
 - Real Estate / Gaming / Lodging
 - Technology, Media and Telecom (TMT)

Investment Banking



- **Recruiting:**

- two types of banks: bulge bracket and boutique investment banks
- **bulge bracket**
 - typically the subsidiaries of global commercial banks
 - think JPMorgan, Goldman Sachs, UBS, Deutsche Bank, etc.
 - internships: usually only looking for interns for the summer before senior year of college
 - recruiting starts summer/fall going into junior year
 - extremely competitive
- **boutique banks**
 - any investment bank not considered bulge bracket
 - vary in size: can range from only a few employees to a couple thousand
 - 3 “types”
 - Those that specialize in one or more products like M&A and restructuring. Well-known M&A boutiques include: Lazard, Greenhill, and Evercore
 - Those that specialize in one or more industries like Healthcare, Telecom, Media, etc. Well-known industry-focused boutiques include: Cowen & Co. (Healthcare), Allen & Co. (Media), and Berkery Noyes (Education)
 - Those that specialize in small or mid-sized deals and small or mid-sized clients (a.k.a. “The Middle Market”). Prominent middle market investment banks include: Houlihan Lokey, Jefferies & Co., William Blair, Piper Sandler, and Robert W. Baird
 - recruiting is still very competitive, but less so than bulge bracket banks. Recruitment process starts at the same time or a little later depending on the size/competitiveness of the boutique bank
 - typically can find internships at smaller/less well known boutique banks earlier on in college - great way to get early experience!

** We recommend applying to internships at a lot of banks (25+), bulge and boutique, just because of the sheer competitiveness of IB!

Technical Questions for IB



- **4 Main Categories of Questions:**

- **Accounting**

- **Conceptual**

- ***“How are the three financial statements connected?”***

- Net income from the bottom of the income statement links to the balance sheet and the cash flow statement. For the balance sheet, it links to the retained earnings. For the cash flow statement, the net income flows to the top of the statement for the cash from operations section.

- **Single/Multi Step Changes Questions**

- ***“A company’s depreciation increases by \$10, what happens to the three financial statements?”***

- Income Statement: pre-tax income falls by \$10, and net income falls by \$6, assuming a 40% tax rate
- Cash Flow: net income is down by \$6. Depreciation has to get added back since it is a non-cash expense, so cash flow is up by \$4, and net cash is up by \$4 at the bottom
- Balance Sheet: Cash is up by \$4, but PP&E is down by \$10 due to the added depreciation, so assets side is down by \$6. The L&E side is also down by \$6 because net income fell by \$6, which reduces retained earnings and balances the sides

- **Equity Evaluations**

- ***“How do you select Comparable Companies or Precedent Transactions?”***

- The 3 main criteria for selecting companies and transactions:
 - 1. Industry classification, 2. Financial criteria (Revenue, EBITDA, etc.), 3. Geography
 - For Precedent Transactions, you also limit the set based on date and often focus on transactions within the past 1-2 years.

- ***“Can you walk me through how to calculate EBIT and EBITDA? How are they different?”***

- EBIT is just a company’s Operating Income on its Income Statement; it includes not only COGS and Operating Expenses, but also non-cash charges such as Depreciation & Amortization and therefore reflects, at least indirectly, the company’s Capital Expenditures. EBITDA is defined as EBIT plus Depreciation plus Amortization.



Technical Questions for IB



- **4 Main Categories of Questions:**

- **Equity and Enterprise Values**



- ***Why do we look at both enterprise and equity value?***

- Enterprise Value represents the value of the company that is attributable to all investors; Equity Value only represents the portion available to shareholders (equity investors). You look at both because Equity Value is the number the public-at-large sees (“the sticker price”), while Enterprise Value represents its true value, i.e. what it would really cost to acquire.

- ***What’s the difference between Equity Value and Shareholders’ Equity?***

- Equity Value is the market value and Shareholders’ Equity is the book value. Equity Value could never be negative because shares outstanding and share prices can never be negative, whereas Shareholders’ Equity could be positive, negative, or 0.

- **Discount Cash Flow Analysis**

- ***Walk me through a DCF***

- A DCF values a company based on the Present Value of its Cash Flows and the Present Value of its Terminal Value. First, you project a company’s financials using assumptions for revenue growth, margins, and the Change in Operating Assets and Liabilities; then you calculate Free Cash Flow for each year, which you discount and sum up to get to the Net Present Value. The Discount Rate is usually the Weighted Average Cost of Capital. Once you have the present value of the Free Cash Flows, you determine the company’s Terminal Value, using either the Multiples Method or the Gordon Growth Method, and then you discount that back to its Net Present Value using the Discount Rate. Finally, you add the two together to determine the company’s Enterprise Value.”

- ***What do you usually use for the Discount Rate?***

- In a Unlevered DCF analysis, you use WACC (Weighted Average Cost of Capital), which reflects the “Cost” of Equity, Debt, and Preferred Stock. In a Levered DCF analysis, you use Cost of Equity instead.

02



Accounting

Accounting



- **What is it?**

- the process of recording financial transactions for a company through financial statements, taxes, and more
- It is beneficial for not only the company, but for the possible investors and holding everyone to the same standards to compare against other companies as well.



- **Subjects of Accounting:**

- **Specializations:** Accounting is separated into 3 main groups. Through each specialization, they either have the knowledge to analyze and express their opinions on audits, analyze and adhere to tax compliance and regulations, or advise companies on the best long-term solutions for growth and best outcome of financial statements.

- Audit
- Tax
- Advisory

- **Industry:** No matter which specialization, each sector covers specific industries, which you get to choose as you get farther up in the company. This is the reason for the close client-employer relationship as you are in constant communication with your client.

- Consumer & Retail
- Energy and Utilities
- Financial Institutions Group (FIG)
- Healthcare
- Industrials
- Natural Resources
- Real Estate / Gaming / Lodging
- Technology, Media and Telecom (TMT)

Accounting - Recruiting/Day in the Life



- **Audit**
 - independent examining of financials by external professionals in order to see and create the most objective, qualified, and correct opinion of a company's statements
 - This career is separated by industry as listed on other slide
 - ie: Consumer & Retail, Energy, Entertainment, etc
 - Usually varies by city location, too.
 - Apply as Audit (also seen as Audit&Assurance) generally with no specific industry
- **Tax**
 - Ensuring the accuracy of tax regulations and compliance through tax statements, while also trying to advise the company and/or person for future taxes
 - This career has a lot of leeway in terms of knowing how taxes work across all industries, although some people do specialize more than others.
 - Apply as Tax with no specific industry
- **Advisory**
 - Assisting in advising services for how to better a company, while also adding strategic and risk value to companies through long term (or short term) projects
 - This career is separated into divisions of possible advisory
 - Cyber
 - Technology / IT
 - Valuation
 - M&A
 - Apply as Advisory with a specific focus as seen above or as a general Advisory!



Interview Questions



- **What are they?**

- Mostly, or all, behavioral questions!
- Can be one interview or multiple interviews! The older you get, the more interviews steps there are!



- **Examples:**

- Tell me about a time you worked on a team with a difficult team member, and how did you overcome it?
- Why do you like [insert company name]?
- Why [specific field]?
- Tell me about a time you failed, and how did you overcome it?
- The world is everchanging and growing, especially surrounding technology. What have you done to make sure to keep up or do anything innovative following these ways?



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With active membership (attend a minimum of 7 events and \$5 quarterly dues), perks include:

- Access to our database of resources (including our previous presentation decks, resume templates, books, meeting recordings, and more.)
- Priority in applying for committee projects
- The ability to apply for board positions
- Early access to limited capacity events
- A feature on the website and social platforms (ie LinkedIn)



If you have any questions, please feel free to reach out!

Join our slack channel to keep updated!

- general
- #financecommittee

Thank you.