W&M Investment Banking Roadmap

This guide is meant to provide an overview of entry-level career paths within the investment banking division of the finance industry. The intent is to provide W&M students with a roadmap for reaching their goals of attaining competitive job offers in the industry. Consider this a starting point for anyone considering a career path in investment banking.

Overview of Career Opportunities:

Wall Street

Buy side vs. Sell side

The buy-side refers to the asset managers who represent individual and institutional investors. The buy-side purchases investment products with the goal of increasing its assets. The sell-side refers to the functions of an investment bank. Specifically, this includes investment bankers, traders and research analysts. Sell-side professionals issue, recommend, trade and "sell" securities for the investors on the buy-side to "buy." The sell-side makes money not through a growth in value of the investment (like the buy side), but through fees and commissions for facilitating these services.

Front Office vs. Middle Office vs. Back Office

- Front office refers to any group that generates revenue for the firm – investment banking, wealth management, private equity, and sales & trading are all examples. One exception: sell-side equity research is still “front office” even though it doesn’t directly bring in revenue.
- Middle office investment banking services include compliance with government regulations and restrictions for professional clients such as banks, insurance companies, finance divisions, etc. Risk management is a large area of this office, encompassing market/credit risk and risk administration. Some do not distinguish the middle office category; it is sometimes lumped into the category of back office.
- The back office services include the nuts and bolts of the investment bank. It handles things such as trade confirmations, ensuring that the correct securities are bought, sold, and settled for the correct amounts, the software and technology platforms that allow traders to do their job are state-of-the-art and functional, the creation of new trading algorithms, and more. The back office jobs are often considered unglamorous and some investment banks outsource to specialty shops such as custodial companies. Nevertheless, they allow the whole thing to run. Without them, nothing else would be possible.

Bulge Bracket vs. Middle Market vs. Boutique

Many different companies are referred to as being investment banks, and they are usually segmented according to their revenue, size or global presence, often categorized by the ‘league tables’. The 9 largest banks are called the ‘bulge bracket,’ followed by ‘middle market’ and ‘boutiques’. Bulge bracket and middle market banks tend to be full-service while boutiques tend to focus on advisory roles and sometimes provide asset management. The line between middle market vs. boutique is fuzzy and complex. To the layperson, middle-market banks are “bigger” than boutiques but “smaller” than bulge bracket banks – which isn’t wrong, necessarily, but also doesn’t tell the full story. Elite boutiques work on the same deals as bulge bracket banks, but are more focused. Banks are generally classified based on size of deals, geography, and services offered.

A. Investment Banking Division/Corporate Finance:

The investment banking division (IBD) is generally divided into industry coverage and product groups. Industry coverage groups focus on a specific industry, such as healthcare, industrials, or technology, and maintain relationships with corporations within the industry to bring in business for a bank in the form of M&A, debt, and equity raises (IPOs). Product coverage groups focus on financial products, such as mergers and acquisitions, leveraged finance, public finance, asset finance and leasing, structured finance, restructuring, equity, and high-grade debt and generally work and collaborate with industry groups on the more intricate and specialized needs of a client towards the end of a deal process. Product coverage groups include M&A, Leveraged Finance, Equity Capital Markets, and Debt Capital Markets. Lastly, industry groups cover all products and product groups cover all industries.

Mergers & Acquisitions (M&A): Full-service investment banks are large international financial players who offer a wide range of services to their clients. These banks offer merger & acquisition expertise in both domestic and sophisticated international transactions. M&A groups manage transactions including leveraged buyouts, divestitures, corporate restructurings, acquisitions, joint ventures and mergers, to name a few. Other related services extend to takeover defenses and managing shareholder relations.
B. Sales & Trading:
In simple terms, they buy and sell products. These might be financial products such as shares in companies, foreign exchange, or commodities such as gold, beef, oil or natural gas. The salespeople are generally known as brokers or dealers. A big part of their job is contacting existing or potential clients to try to sell them financial products (for example stocks and bonds). Traders are the people who actually do the buying and selling on the financial markets. They access the markets through an array of computer monitors each showing movements of stocks, bonds, commodities and various other financial products. They’ll also have up-to-the minute news and research streamed live to them, so that at any moment they can press a button to buy or sell the product they’re tracking.

C. Asset Management:
Asset-management is the management of securities and other assets for an investor. The investor may be an individual (such as in cases of private-wealth management), a corporation (including those involved directly in the finance industry, such as investment banks and hedge funds), an organization (whether it be an NGO or governmental, for profit or non-profit) or any other potential owner of a portfolio of assets (for example, universities). In the case of wealth management, this is sometime referred to as the private bank, referring to customer service rendered on a more personal basis than in mass-market retail banking. Private banking is for people with much higher net worth. Private wealth is usually $250k or greater in liquid net worth, while private banking is $5 million or greater.

D. Equity Research
The research division reviews companies and writes reports about their prospects, often with "buy" or "sell" or “hold” ratings. While the research division may or may not generate 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. Research also serves outside clients with investment advice in the hopes that these clients will execute suggested trade ideas through the sales and trading division of the bank, and thereby generate revenue for the firm. There is a potential conflict of interest between the investment bank and its analysis, in that published analysis can affect the bank’s profits. Hence in recent years the relationship between investment banking and research has become highly regulated, requiring a Chinese wall between public and private functions. In fact, some firms outsource this function of the bank. Sell side is selling research, advice and securities it created to the companies and investors. Whenever you see a report that advises you to buy, sell, or hold the stock, that’s coming from the sell side of the business.

Hierarchy, Compensation and Hours
The hierarchy within the investment banking division is very well defined. The actual role names may differ from region to region and bank to bank, but all follow the same general pattern. However, there are some exceptions; for example, the two main levels in Equity Research are Associate and Research Analyst – and they’re the opposite of IB, so the Research Analyst is the senior person above the Associate. Sales and trading has a different kind of hierarchy; while the positions are almost the same, sales/trading analysts are not expected to get their MBA, and promotions do not come every couple of years.

IBD: Analyst ➔ Associate ➔ Vice President ➔ Senior VP/Exec Dir. ➔ Managing Director (MD) ➔ Group Head/C-level/etc
Equity research: Associate ➔ Research analyst ➔ Vice President ➔ Senior VP/Exec Dir. ➔ Managing Director (MD) ➔ Group Head/C-level/etc
Sales/Trading: Analyst ➔ Associate ➔ Vice President ➔ Managing Director/Partner

Most new college graduates start a career in investment banking working as an analyst. College interns are often offered a full time position as an analyst after they graduate, and the junior year summer analyst position is the typical pipeline into a full time analyst role. The hours are often very long, but the compensation and experience is attractive. Duties performed by an analyst include company valuation, compiling pitch books and building complex financial models.

Depending on location, state of the economy, bonuses, job function, and a number of additional factors, most analysts will start out around $70K with bonuses for a total of $100K all-in (base salary + bonus) and that may go up to $150K or more if we’re in a bubble.

For more detailed career opportunities and salary information, see sources of additional information at the end of this document.
Investment banking is only for the motivated; the typical workday for analysts starts before 8 am and ends past midnight. The day is spent constructing presentations, meetings, creating projects and inputting information. This schedule will likely stay the same for all seven days of the week, and pulling all-nighters (or sometimes multiple in a row) is common.

EXPLORE FINANCE CAREER PATHS

Curriculum

Required Courses

1. Money & Debt Markets: An examination of the operation and importance of global money and debt markets including market characteristics, regulation, international differences, international interest and exchange rate behavior, bond analysis and valuation, and risk management with interest rate and currency options and futures.

2. Equity & Portfolio Management: An examination of the operation and importance of global equity markets including market characteristics, regulation, international differences, investor behavior, portfolio theory and capital asset pricing, asset allocation, security analysis, mutual funds, performance measurement, and equity options and futures.

3. Corporate Financial Strategy: Advanced topics in the theory and practice of financial decision-making. Cases and readings are used to examine the tools and techniques of financial strategy formulation and implementation under various environmental settings.

Helpful Advanced Electives

1. International Finance: A study of the foreign exchange markets, the relation between interests rates and exchange rates, and the current international monetary system. Specific course topics include borrowing and lending opportunities in international financial markets, international trade finance, the management of risks associated with exchange rate fluctuations, the analysis or currency crises, and the assessment of sovereign risk.

2. Valuation: A study of enterprise valuation both from an academic and industry perspective. Topics include an analysis and application of multiple valuation approaches and an exploration of differences in valuation approaches from public, private, and distressed firms. The goal is to develop insight into how financial managers can create value for their shareholders, understand other value drivers, and how to incorporate them in the enterprise valuation process.

3. Student Managed Investment Fund: The purpose of this course is to provide portfolio management and security analysis experience through the management of the Mason School Student Managed Investment Fund (SMIF). Students select companies from an S&P stock universe, do research on their business model and competitive environment, make forecasts of future financial performance and perform valuation analyses.

4. Applied Financial Concepts

The course will utilize cases from leading graduate business schools as well as original cases written by case sponsors. Students will be exposed to hands-on examples of real projects a new graduate could encounter while working at a top level corporate, consulting or financial firm. Students will have the opportunity to interact with business executives in different areas of the financial services industry while receiving practical feedback about their case analysis.

5. Hedge Fund Course

This course occurs over two weekends in January; the week in between will be used to complete a team project regarding hedge fund management. The second weekend will be used to present the team projects.

6. Financial History

The purpose of this course is to highlight the role of history in helping to shape current debates on problems such as appropriate policy response to the recent financial crisis and the associated rapid growth of US public debt. Students will have the opportunity to engage financial history and the people who made it by understanding financial panics, booms and busts as well as the evolution of financing arrangements, financial risk, current institutions, and government policies.

PREPARE FOR A FINANCE CAREER

Resume Tips for Finance:

- Be specific and focus on your accomplishments or impacts you’ve made
- Focus on results; quantify when possible - for example, “Authored an 11-page memorandum detailing a prospective $10 million mezzanine co-investment in a $33 million aerospace buyout. Partners were sufficiently convinced of investment merits to submit a term sheet”
• Be sure to include software and specialized skills – for example: Certifications & Training: Bloomberg certified; Training the Street (Valuation: Fall 2010; Modeling: Spring 2011)
• Attention to detail; remember they are hiring you to count accurately
• Don’t have a single error or formatting issue; remember analysts and associates spend a great deal of time finding errors and fixing them – they will spot your errors faster than you will.

For additional tips on building your personal brand along with finance resume examples, visit http://mason.wm.edu/programs/undergraduate/careers/brand/index.php

Interview Process in Finance

The interviewing process will follow this general pattern:

• Go through a first-round, usually on-campus, interview;
  • On-campus interviews are generally found through college career/networking events
  • Off-campus interviews are up to the student to find; here, it’s all about networking and putting yourself out there to potential employers. Start early: see the “Connect” section of this document.
• If you do well, you move to the next round – “superday interviews,” which are held at the bank’s offices;
• There are generally two parts to the finance interview: the “behavioral” part and the “technical” part.

You can expect 3 types of interview questions:
1. Your Story – “Walk me through your resume/CV” or “Tell me about yourself.”
2. “Fit” Questions – “Are you a team player? Tell me about your weaknesses. How was your last internship?”
3. Technical Questions – “Walk me through a DCF. How does 40% cash vs. 50% cash affect a merger model? What happens on all 3 statements when COGS goes up by $10?”
   a. Common technical questions will center on accounting, valuation, modeling, and/or brainteasers.

Prepare for questions beforehand – common questions include:
1. Why do you want to do investment banking/investment management/etc.?
2. Walk me through your resume.
3. Let me give you a situation: It is Friday afternoon. Tomorrow morning you have to catch a flight to Boston for your best friend’s marriage, and you are in the wedding. You have informed your deal team well in advance and they know that you will be gone. Just when you are about to leave, you find out that a client wants to meet with the banking team tomorrow. What will you do?
4. Give me an example of a project that you’ve done involving analytical thinking.
5. What is the most striking thing you’ve read recently in The Wall Street Journal?
6. Can you give me an example of an experience of failure?
7. Tell me about a financial model you’ve built in the past.
8. Can you tell me about a time when you handled many things at the same time?
9. Who is the chair of the Fed? Who is the Secretary of Treasury?
10. Do you think the financial markets are efficient?

See the VAULT Guide to Finance Interviews for additional tips.

Programs Where You Can Hone Your Skills

1. From DoG Street to Wall Street (September)
   This annual event, co-sponsored by the Mason School of Business and the Sherman & Gloria H. Cohen Career Center, provides students with an opportunity to learn about careers in Finance and network with potential employers and contacts. Panelists cover topics including Finance 101, Interviewing 101, International Finance, Sales and Trading, Investment Banking, and Private Banking.

2. Case Competitions (Ongoing)
   Local and national competitions in which teams of students analyze simulation exercises and compete with other groups to find the best solution to the problem.

3. CFA Challenge (Spring)
   Teams will evaluate a selected company; meet with management of that company for questions and discussion; and prepare a written analysis of 10-20 pages. The papers will be evaluated by a group of investment
professionals as judges. The teams will present their analysis to this panel of judges, who will then select the winning team. Applications are available in the fall.

4. **Wall Street Trip (Winter)**

5. **Crack the Case (September)**
The Crack the Case program helps prepare students for case interviews. Through meeting and training with professionals, alumni and employers, students gain the skills and experience necessary to confidently and successfully interview with potential employers.

6. **Training the Street**
This program trains finance professionals for the real business world with a focus on corporate valuation and financial modeling. [http://trainingthestreet.com/](http://trainingthestreet.com/). Times and registration TBD.

7. **Bloomberg Certification**
Bloomberg is the industry standard for coverage of financial information and economic data around the world. The Bloomberg Essentials Online Training Program is designed to equip financial professionals with comprehensive knowledge of the Bloomberg Professional service. Times and registration TBD.

8. **Michigan Stock Pitch**
This annual conference hosts twenty-five student teams from around the country. Students will be pitted against each other to research and recommend a stock. Participants will prepare presentations, which will be followed up by grueling Q&A from a panel of experienced portfolio managers and analysts from across the country.

**CONNECT**

**Network with students, alumni and companies**

1. **Finance Academy**
Finance Academy is a student organization created to help W&M undergraduates learn more about careers in finance and to help interested students network with finance professionals. Bringing students face to face with Wall Street and Finance alumni at gatherings on campus and in New York, the Academy successfully helps create awareness about careers in finance and better prepares students to pursue them.

2. **Annual Finance Networking & Resume Exchange in NYC**
For William & Mary graduate and undergraduate interns and alumni working in finance and banking in the Tri-State area.

3. **From DoG Street to Wall Street** (see above)
4. **Wall Street Trip** (see above)
5. **LinkedIn**
The social network for professionals, LinkedIn helps you connect with alumni and professionals in career fields that interest you. Creating a profile can be a beneficial step towards networking with executives in a prospective career field.

6. **Company Information Sessions**
During each recruiting cycle, various firms will hold on-campus information sessions with students. Students always ask, “Do I really need to go if I can all of the information on the website?” To this, we answer - YES! Information sessions are really about networking, learning more about the company and its culture, and connecting with alumni and recruiters.

7. **W&M Career & Internship Fairs**
The Sherman & Gloria H. Cohen Career Center sponsors annual career fairs to give students a chance to connect and network with employers across a variety of fields. This is a great time to investigate internship and job opportunities and to explore different career paths.

8. **Executive Partners**
Imagine having a group of more than 100 senior business executives from more than 20 different industries supporting you. Active, semi-retired or retired, these are leaders who have been there, and done what you plan on doing. And our Executive Partners are like no others. They are part of our community—they live here. They’re always available to work with you and provide guidance whenever you seek it out.
9. **Early Access Days**

Some firms, such as Morgan Stanley, have Early Access programs, which are usually geared toward juniors and are centered on networking with employees. Students participate in case studies, ask questions to panelists, and network in small groups with employees in all divisions of the firm.

**SOURCES OF ADDITIONAL INFORMATION**

**Websites & News**

- [tribecareers.wm.edu](http://tribecareers.wm.edu): VAULT Career Insider Guides – can be found on Tribe Careers home page on the career insider link (found on the right hand panel under External Job Resources)
- [mason.wm.edu/programs/undergraduate/careers/index.php](http://mason.wm.edu/programs/undergraduate/careers/index.php)
- [www.mergersandinquisitions.com](http://www.mergersandinquisitions.com)
- [www.wallstreetoasis.com](http://www.wallstreetoasis.com)
- [www.investopedia.com](http://www.investopedia.com)
- [www.fins.com](http://www.fins.com)
- [WSJ.com - Dealbook.nytimes.com](http://www.WSJ.com)
- [Dealbreaker.com - Bloomberg.com](http://www.Dealbreaker.com)
- [Wallstreetoasis.com](http://www.wallstreetoasis.com)
- [Mergersandinquisitions.com](http://www.mergersandinquisitions.com)
- [CNBC TV Channel](http://www.CNBC.com)

**Books:**

- Monkey Business - John Rolfe and Peter Troob
- Liar's Poker - Michael Lewis
- The Big Short - Michael Lewis
- The Accidental Investment Banker - Jonathan Knee
- The Secrets of Economic Indicators - Bernard Baumohl
- Too Big to Fail - Andrew Ross Sorkin
- Investment Banking: Valuation, Leveraged Buyouts, and Mergers and Acquisitions - Joshua Rosenbaum and Joshua Pearl

**Movies:**

- Wall Street
- Wall Street II
- Boiler Room
- Inside Job
- Barbarians at the Gate
- Too Big to Fail

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Investment Banking Career Prep
Campus Resources to Prepare for a Career in IB

Explore
- Finance Academy
- Finance Industry Roadmap
- Company Information
- Alumni Informational

Prepare
- Company Interview
- Case Interviewing Workshops
- Mock Case Interviews
- Off-campus Competitions
- Case Practice with Consulting Club

Connect
- Student/Alumni Mentorship & Networking
- DoG to Wall Street
- NYC Finance Trip
- Semi-Annual Career Fairs

*Investment Banking internship ideal candidate:
A junior with a GPA>3.5 (3.6 is preferable) who has had at least one prior finance internship, is involved in the finance clubs, and can talk the talk