

Course Introduction and Syllabus for:  
**FOUNDATIONS OF INVESTMENT BANKING**

(Module 3, February – April 2012)  
Course Website: <http://fib12.phbs.info>  
(ver. 20120211; Subject to change, see course website)

**Instructor:** Professor Terrill L. Frantz

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**Office Hours:** 10:30am-11:30am Tues & Fri

**Class meetings:** Tuesday & Friday

**Meeting Time:** 8:30am-10:20am

**Classroom:** C102

### **Course Description**

This course is designed for students who aspire to break into the global financial services industry, particularly into a front-office position. The course provides a comprehensive overview of the investment banking (IB) industry and profession; both business and technical aspects are covered as are the soft skills which essential to be effective in the field. The course examines the current state-of-the-industry, the global dimensions of the business, the deal making work-flow, including the various roles of organizational players. Moreover, the course includes technical aspects of the financial valuation methodologies used in investment banking deals, such as M&A transactions, LBOs, IPOS, and restructurings, in real-world situations. The course aims to prepare the student for being conversant-ready in all aspects of the IB industry and to implant the technical how-to's of valuation practices used on Wall Street into the student's mind- and skill-sets.

This course has a technical dimension and a skills dimension. The technical dimension involves learning about the Investment Banking Industry, Investment Banking Services, and Deal Analysis (discovery & formation). The skills dimension involves the students' self-as-instrument (current events, presentation skills) development.

### **Focus of General Content**

This course will draw on the course textbooks, additional readings, cases and current news events. Readings will generally focus on large publicly held corporations headquartered in the USA, but I will endeavor to include discussion on global-based organizations based on any continent as best possible given the structural language and information-transparency barriers. Laws and regulations discussed will be mostly from the perspective of the USA, but coverage of local China- and Asia-based matters will also be included when possible.

### **Course Topics**

- Changing Industry & Reforms
- IB Careers
- IB Trends & Challenges
- Comps / Precedent / DCC Analysis
- LBO Fundamentals
- LBO Analysis
- M&A Sale Process
- IBank Structure: Divisions & Services
- IB Strategies: How Compete & Profit
- Securities Regulations & Ethics
- IB in BRIC mkts (Brazil/Russia/India/China)
- Venture Capital & Private Equity; M&A
- Underwriting Equity, IPOs, & Debt
- Asset Securitization & Exchange Listing
- Trading, Repos, & Private Banking
- Derivatives & Investment Mgmt
- M&A Themes; Strategy & Origination
- M&A Diligence, Valuation, and Accounting
- M&A Design of Detailed Transaction Terms

## Student Outcomes

After the successful completion of this course, it is expected that the student will be able to pass through the technical rounds of a front-office job/internship interview at a financial or management-consulting firm and be enabled to provide a professionally analytic opinion of a strategic corporate action occurring in industry. This involves being able to:

- Identify strategic opportunities for a conceivable deal
- Assess the value of such strategic opportunities to the involved parties
- Establish an intelligent price-range for an investment banking deal
- Explain how “transactions” are conducted and how regulation impacts them
- Identify the major operations within investment banking / commercial banks
- Communicate the relevance of “Relationship Management”
- Contrast the investment banking function with the traditional commercial banking function.
- Define the process of equity offerings
- Communicate the relevance of regulation to banking and financial institutions
- Explain the Merger & Acquisition(M&) process
- Calculate the synergies from mergers & acquisition deals
- Define operations of securities firms
- Define 'alternative' investments, their importance to financial markets and investment banks

## Teaching Methodology

This is an activity-based course; it is designed to develop skills and insightful perspectives rather than regurgitating facts and rote memorization. It is a difficult course but the work in it is also highly levered; it will require a great deal of time, energy and determination from all course participants, but the reward will be grand and long lasting. The classroom experience will be both professor- and student-led presentation and discussion. One-half of the course’s meeting time will be content led by student teams and aided by the professor; the other half of the meeting time will be lecture by the professor. Team-based projects and presentations are an integral part of this course, although the hard and soft skills and processes ultimately will be instilled into each individual. Real-world, real-time, current business events and goings-on will be an important part of this course. Students will be involved by conducting analyses and giving presentations at a level well above the norm for a management course. Attending to the excessive reading assignment(s) and case-readings regularly and on-schedule is vital to the student truly benefiting from this course.

## Prerequisites

*Recommended* prerequisites include courses such as: (a) Corporate Finance, (b) Asset Valuation and (c) Financial Accounting.

## Course Texts

Investment Banking: Valuation, Leveraged Buyouts, and Mergers and Acquisitions (2009).

Joshua Rosenbaum & Joshua Pearl

ISBN-13: 978-0470442203 Wiley Publishing

@ amazon.cn ¥374.10 ~ ¥203.90 (used)

The Business of Investment Banking: A Comprehensive Overview (2011).

K. Thomas Liaw

ISBN-13: 978-1118004494 Wiley Publishing

@ amazon.cn ¥550.20 ~ ¥60.73 (used)

Applied Mergers and Acquisitions (2004).

Robert F. Bruner

ISBN-13: 978-0471395058 Wiley Publishing

@ amazon.cn ¥592.00 ~ ¥131.00 (used)

\*\* It is doubtful that a student will be successful in this course without having full access to these texts \*\*

\*\* It is the student’s responsibility to gain access to the texts, not the professor’s

### Grading/Evaluation

To introduce a vital dimension of real-world realism to this course grading process, each student's grade will be derived from two constituent parts: (a) a weighted-average score computed according to quantitatively scored deliverables (as per the list below), and (b) a highly-subjective \*bonus\* score in the range of -10 to +10 full percentage, final grade points according to the classroom performance of the student. \*\* A student's poor in-class performance on can actually reduce their computed grade by as much as 10 percentage points, alternatively it can increase it a full 10%.

Company Profile (group):	20%
Group Project:	20%
Individual Project:	20%
Quizzes (4 x 5% each):	20%
Final Exam	20%
**** In-class activities grade	{ -10% to +10% } ** an adjustment
(Self-intro, Class participation, Student-led activities; two Beige-book analyses)	

Missed quizzes/tests/presentations cannot be made-up and must be taken/given only at the time they are scheduled. Class attendance and in-class participation are exceptionally expected in this course.

### Class Meeting Schedule (subject to change)

The agenda for each\* 110-minute class meeting will proceed in the following manner:

- 20 min. Morning Meeting Discussion (student-led)
- 15 min. Case Study Presentation (student-led)
- 15 min. Reading Discussion (student-led)
- 10 min. Break
- 50 min. Lecture

\* Schedule differs somewhat for the first four class meetings.

### Course Website

The course website is the primary communications vehicle for outside-of-class communications and course documentation. The student is expected to routinely check the site for information and class-related announcements—perhaps daily.

**Class Meeting Schedule (subject to change):**

The agenda for each\* 110-minute class meeting will proceed in the following manner:

- 20 min. Current Events Discussion (student-led)
- 15 min. Deal Analysis Presentation (student-led)
- 15 min. Case Study Discussion (student-led)
- 10 min. Break
- 50 min. Lecture

\* Schedule differs somewhat for the first four class meetings.

<b>Class Meeting</b> (t-Tues f-Fri)	<b>Class Meeting Date</b>	<b>Unit / Orientation</b>	<b>Topic(s)</b>	<b>Readings</b> (prior to class meeting)	<b>NOTES</b>
1 t	14-Feb	Intro	Course Intro; Changing Industry & Reforms; IB Careers; IB Trends & Challenges	L: 1, 5, 19	
2 f	17-Feb	Technical	Comps / Precedent / DCC Analysis	RP:0, 1, 2, 3	
3 t	21-Feb	"	"	RP:1, 2, 3	
4 f	24-Feb	"	LBO Fundamentals (buy-side)	RP: 4	Quiz #1
5 t	28-Feb	"	LBO Analysis (buy-side)	RP: 5	
6 f	2-Mar	"	M&A Sale Process (sell-side)	RP: 6	
7 t	6-Mar	Industry	IBank Structure: Divisions & Services	L: 2, 3	Quiz #2
8 f	9-Mar	"	IB Strategies: How Compete & Profit	L: 4	
9 t	13-Mar	"	Securities Regulations & Ethics	L: 16	
10 f	16-Mar	"	IB in BRICs (Brazil/Russia/India/China)	L: 17, 18	
11 t	20-Mar	"	Venture Capital & Private Equity; M&A	L: 6, 7	Quiz #3
12 f	23-Mar	"	Underwriting Equity, IPOs, & Debt	L: 8, 9	
13 t	27-Mar	"	Asset Securitization & Exchange Listing	L: 10, 11	
14 f	30-Mar	"	Trading, Repos, & Private Banking	L: 12, 13	
15 t	3-Apr	"	Derivatives & Investment Mgmt	L: 14, 15	
16 f	6-Apr	Dealmaking	M&A Themes; Strategy & Origination	B: 1 - 7	Quiz #4
17 t	10-Apr	"	Diligence, Valuation, and Accounting	B: 8 - 17	
18 f	13-Apr	"	Design of Detailed Transaction Terms	B: 18-24	
sunday	15-Apr				FINAL EXAM

**About the Instructor**

Assistant Professor Terrill Frantz is a full-time management faculty member of HSBC Business School at Peking University Shenzhen. He has 20 years of corporate experience, working for global investment banks (Morgan Stanley and JP Morgan) in New York, London, and Hong Kong and consulting at numerous organizations in other industries as well. His academic field is Organization Behavior with a research focus on Post-Merger Integration—he has published numerous academic articles and book chapters on the subject. Dr. Frantz has a life-long orientation in software technology, business management, supported by both work experience (Asia-Pacific Operations Officer for Technology at Morgan Stanley, Assistant to the CIO at Morgan Stanley NY, etc) and advanced degrees (EMBA from Stern, New York University, Computer Science from Carnegie Mellon University, etc).