

NEW YORK UNIVERSITY
STERN SCHOOL OF BUSINESS

Investment Banking
B40.2334, Fall 2005

Professors Eli Ofek and Mark Tercek

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Goals of the Course

The principal goal of this course is to provide a broad overview of investment banking and of the forces that are changing it worldwide. The focus is on the major activities of investment banks: (1) raising capital for clients; (2) making markets and providing brokerage services; (3) advising on and executing mergers and acquisitions; (4) trading and investing for the bank's own account; and (5) managing third-party assets. Throughout the course will examine some of the challenges of managing a global investment bank and discuss the trends in the investment banking industry.

Attention will be given to the perspective of the client as well as to that of the investment bank, and to the inherent tensions between the two. The international aspects of investment banking and the evolving impact of the internet will be explored in each part of the course rather than treated as separate sections, since both of these issues are inextricably a part of every aspect of investment banking today. By the end of the semester, each student should be well prepared for either an entry-level position in an investment bank or for a comparable position in a client firm in which he or she needs to interact with investment banks.

Required Readings

Cases Packet in the book store

Optional Readings

Thomas Liaw, *The business of investment banking* John Wiley & Sons Inc., 1999.

Grading

Cases 20%

Participation 20%

Final 60%

Office hours

Mark Tercek – By appointment

Wednesday 10:50 AM - 12:00 PM

Thursday 5 PM – 6PM

Cases:

Each case addresses a dilemma facing a financial institution during its operations. The students must analyze the firm's dilemma and provide possible solutions to its problem.

The class will be organized into groups of three or four students. Each group will discuss all of the cases assigned. For some cases, a summary of no more than five typed pages + appendixes should be handed in by each group, while for other cases there is no formal written assignment. Each case will be thoroughly discussed in class. All students must be prepared for the class discussion. Students are expected to participate and express their opinion.

#	Date Lecturer(s)	Topics	Reading and assignments
1	22-Sep-05 Ofek Tercek	Introduction and overview of the financial services business: Overview, products, competitors, trends, sources of revenue, main business segments, main cost items, the main players Case: Goldman Sachs	Read HBS relevant notes
2	29-Sep-05 Tercek	Winning new Business and building client relationships Case: Union Carbide Raising Capital: IPO The offering process The Dot Com bubble	
3	6-Oct-05 Tercek /Ofek	Raising Capital: IPO The offering process (Continued) Case: Amazon.com Raising Capital: IPO – Special issues. Post offering and after market trade (Ofek)	Read articles form packet.
4	20-Oct-05 Ofek	Raising Capital: IPO – Special issues. Post offering and after market trade (Ofek) Issues relating to pricing, fees 7% rule. After market support, filliping, under pricing, discriminatory distribution, long horizon stock returns, lockup period. Case: Google IPO Other equity Instruments (Ofek) Season equity offerings, rights, ADRs,	Read articles form packet.
5	27-Oct-05 Ofek Tercek	Corporate Bonds (Ofek) Underwriter’s role in advice and process; Shelf registration; Private placements; Rule 144A; High yield; Syndicated loans; Convertible Bonds (Tercek) Case: DigaMan	

6	3-Nov-05 Ofek	Valuation Review of DCF and multiple valuation methods Case: Chase's strategy for syndicating the Hong Kong Disneyland loan	Hand in case (Chase)
7	10-Nov-05 Ofek	Other fixed income products / Securitization Role of commercial banks in underwriting; Credit Derivative Swaps. Mortgage back securities; collateralized debt obligations (CDOs); other pass-through securities. Paramount 1993	Read articles form packet.
8	17-Nov-05 Tercek	Advisory (M&A other Restructuring such as Buybacks) Recent trends in M&A activity; motivations for acquisitions and divestitures, winners and losers, and the elements of a successful deal; the mechanics of M&A; Case: Paramount Communications (1994)	
9	1-Dec-05 Tercek Ofek	Advisory LBO History; Capital Markets Framework (Bank syndication, High Yield, Private Equity; Analytic Framework) Hedge Funds (Guest lecture: Kent Clark – Goldman Sachs)	
10	8-Dec-05 Ofek Tercek	Case: Martin Smith Proprietary trading Hedge funds, Equity trading strategies: risk Arb, market neutral, fixed income strategies: convergence trades Derivative strategies, volatility trades	Articles assigned

11	15-Dec-05 Ofek	Role of Research Case Lehman Brothers (A B) Asset management Private banking; institutional money management, mutual fund management Case: Merrill Lynch HOLDRS	
12	22-Dec-04 Ofek / Tercek	General Q&A Final review Final Exam	