

# B14. SECURITIES' INDUSTRY



- INVESTMENT BANKS, BROKERS, DEALERS
- PRIVATE EQUITY AND VENTURE CAPITAL

# INVESTMENT BANKS

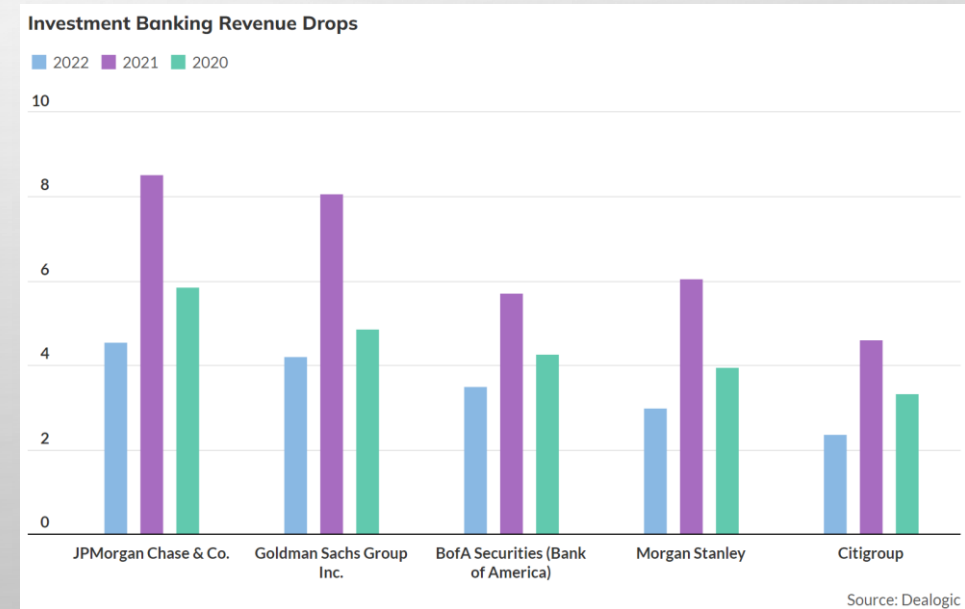
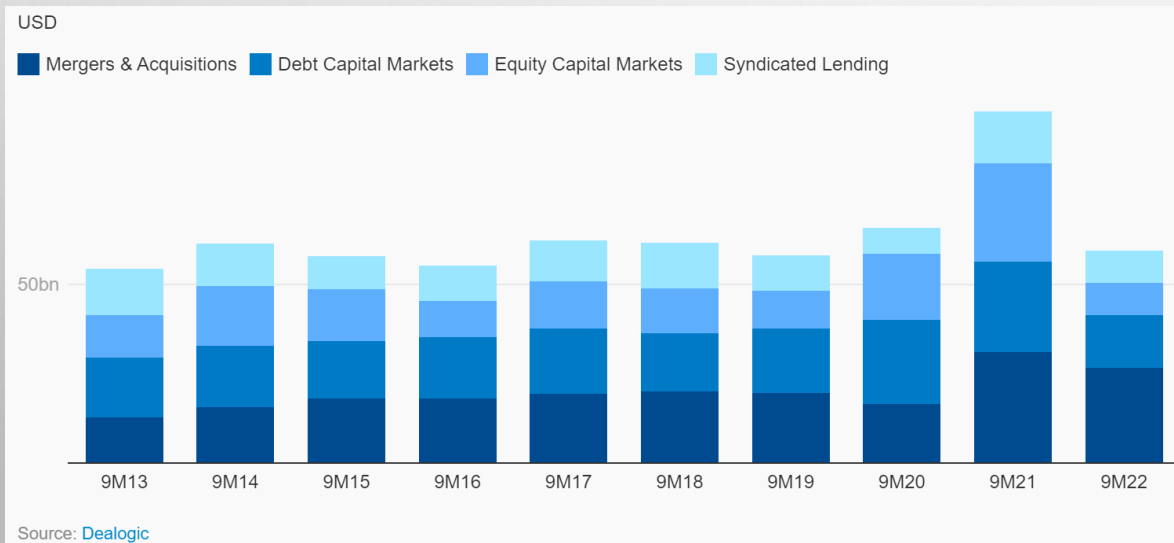
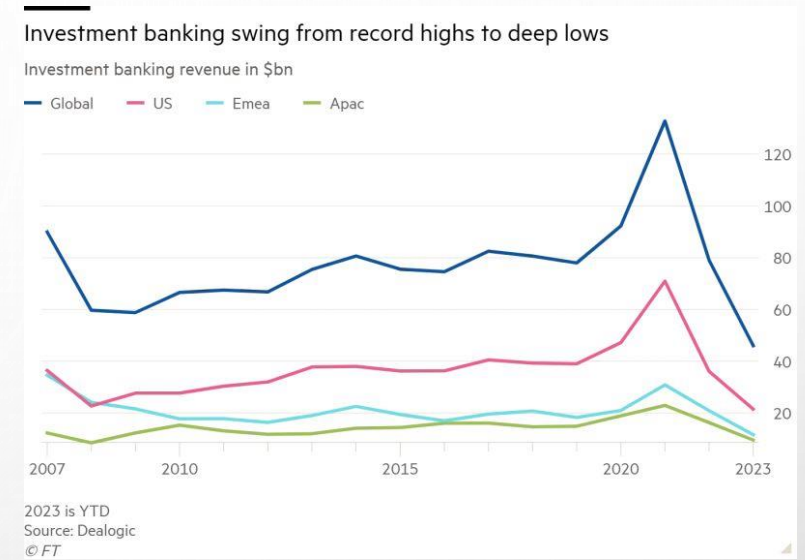
- XIX century: fundraising in EU through stocks for infrastructures in the US (railways, steel, ...)
- 1929-1999: Glass-Steagall Act → separation from commercial banking (in Italy, f.i. banking laws in 1920s-30s required specialization, up to 1993's new EU-driven law)
- GFC:
  - bailouts and defaults due to conflicts of interests and excessive risk-taking
  - «end» of business model of pure investment banks in the US: M&A and extension of more stable retail commercial banking and increasing weight of EU-based investment/universal banks



# INVESTMENT BANKS

Fundraising services and trading for **fee-based income and capital gains**:

- Advice, design, underwriting, servicing, private placement on financial instruments (debt, equity, syndicate loans)
- Due diligence and consulting on M&A/buyouts/IPOs/...
- Trading, merchant banking
- Asset management, brokering for HNWI
- Research



# BROKERS & DEALERS

## Brokers:

- Servicing **investors** by matching buyers and sellers:  
**fee-based** income
- **Orders** (market orders, limit orders), or also **stop-loss** and **short-selling** strategies
- Eventually, **margin credit** and accounts with settlement services
- Also market research and continuous advice (full-service)



## Dealers (and market makers):

- **own inventory** of securities
- **add liquidity** to illiquid assets (f.i. small volumes)
- **continuously offer bid/ask** opportunities for investors
- compensated by **spreads**



# PE & VC



Many similarities, except for the targeted investment:

- **Limited partnerships of HNWI buying equity:** long term, high risk/return
- **Expertise, networking, monitoring**
- **Exit through IPOs and M&As**



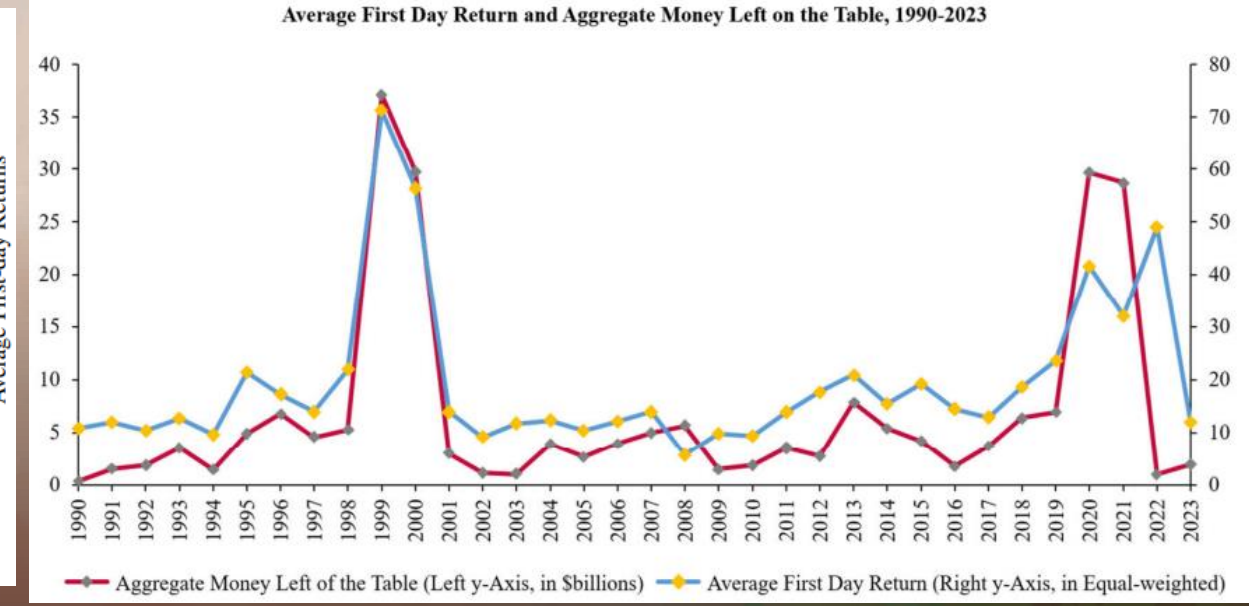
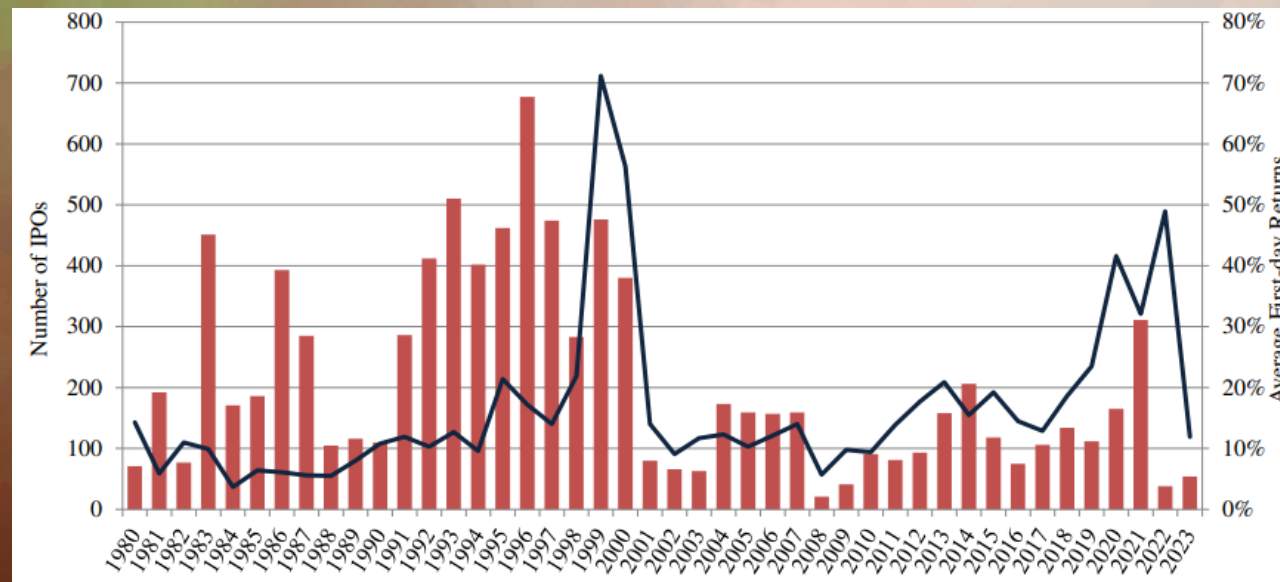
- **Venture capital:**

- Supply funds to start-ups with growth potential but limited access to traditional markets
- Usually specialized: (seed, early/late-stage) and segment (f.i. biotech, IT, ...)



- **Private equity / buyout:**

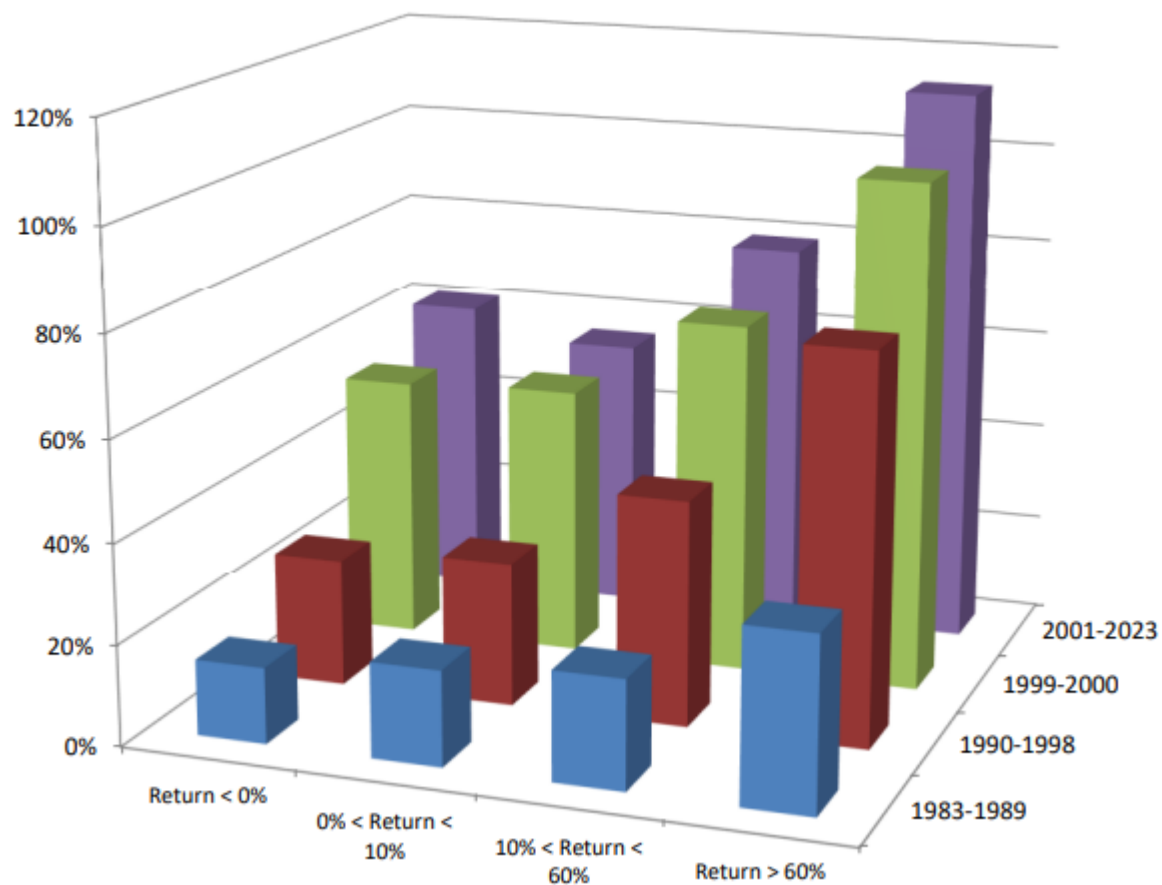
- buy troubled public companies to delist them (“private”)
- regulatory burden relieved, new management, return to profitability
- more capital absorbed, but more collateral available



# EXAMPLES: IPOs

(MLOTT: difference between day 1 close and offered price, times n. stocks offered)

**IPO Turnover Categorized by Time Period and First-Day Return, 1983-2023**



**Percentage of IPOs relative to file price range:**

|                  | Below      | Within     | Above      |
|------------------|------------|------------|------------|
| <b>1980-1989</b> | <b>30%</b> | <b>57%</b> | <b>13%</b> |
| <b>1990-1998</b> | <b>27%</b> | <b>49%</b> | <b>24%</b> |
| <b>1999-2000</b> | <b>18%</b> | <b>38%</b> | <b>44%</b> |
| <b>2001-2019</b> | <b>33%</b> | <b>45%</b> | <b>22%</b> |
| <b>2020-2023</b> | <b>16%</b> | <b>55%</b> | <b>29%</b> |
| <b>1980-2023</b> | <b>28%</b> | <b>49%</b> | <b>23%</b> |

**Average first-day returns relative to file price range:**

|                  | Below      | Within    | Above      |
|------------------|------------|-----------|------------|
| <b>1980-1989</b> | <b>-1%</b> | <b>2%</b> | <b>19%</b> |
| <b>1990-1998</b> | <b>1%</b>  | <b>4%</b> | <b>26%</b> |
| <b>1999-2000</b> | <b>-2%</b> | <b>6%</b> | <b>95%</b> |
| <b>2001-2019</b> | <b>-1%</b> | <b>4%</b> | <b>30%</b> |
| <b>2020-2023</b> | <b>-8%</b> | <b>4%</b> | <b>50%</b> |
| <b>1980-2023</b> | <b>-1%</b> | <b>3%</b> | <b>38%</b> |

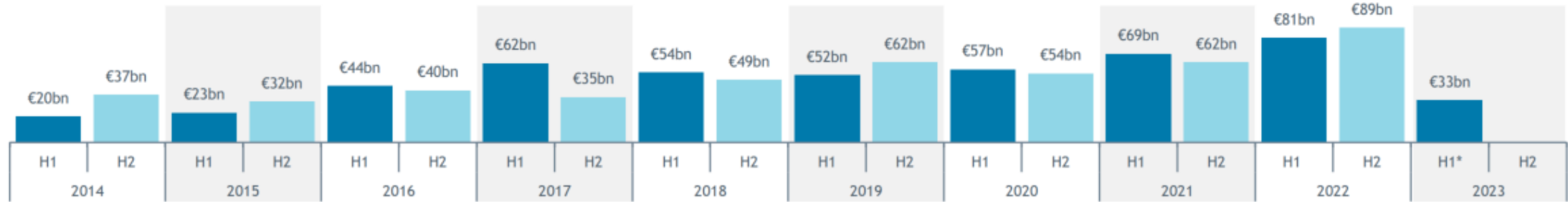
**EXAMPLES: IPOs**

| Underwriter         | Number of IPOs | Average First-day Return | Average 3-year Buy-and-hold Return |                 |                |
|---------------------|----------------|--------------------------|------------------------------------|-----------------|----------------|
|                     |                |                          | IPOs                               | Market-adjusted | Style-adjusted |
| Goldman Sachs       | 272            | 27.6%                    | 6.5%                               | -22.3%          | -33.9%         |
| JPM                 | 224            | 25.7%                    | 20.9%                              | -7.8%           | 5.6%           |
| Morgan Stanley      | 218            | 26.9%                    | 31.3%                              | 3.0%            | 2.5%           |
| BOA-Merrill         | 133            | 24.5%                    | 15.0%                              | -15.8%          | -8.5%          |
| Jefferies           | 91             | 24.3%                    | -2.1%                              | -32.2%          | -33.5%         |
| Citigroup           | 82             | 8.0%                     | 21.9%                              | -10.5%          | -27.7%         |
| UBS/Credit-Suisse   | 89             | 10.9%                    | 16.8%                              | -17.3%          | -16.2%         |
| Barclays            | 46             | 16.7%                    | 28.9%                              | 0.7%            | 10.9%          |
| Cowen               | 29             | 26.1%                    | -43.4%                             | -74.0%          | -100.3%        |
| Deutsche Bank       | 19             | 11.7%                    | 44.4%                              | 12.7%           | -1.8%          |
| Stifel              | 18             | 12.3%                    | 44.8%                              | 11.7%           | 25.3%          |
| Others (regionals)  | 118            | 11.1%                    | 9.8%                               | -24.5%          | -16.3%         |
| Others (lower tier) | 140            | 38.2%                    | -42.3%                             | -67.4%          | -28.1%         |
| <b>2012-2021</b>    | <b>1,479</b>   | <b>23.6%</b>             | <b>10.4%</b>                       | <b>-19.3%</b>   | <b>-15.6%</b>  |

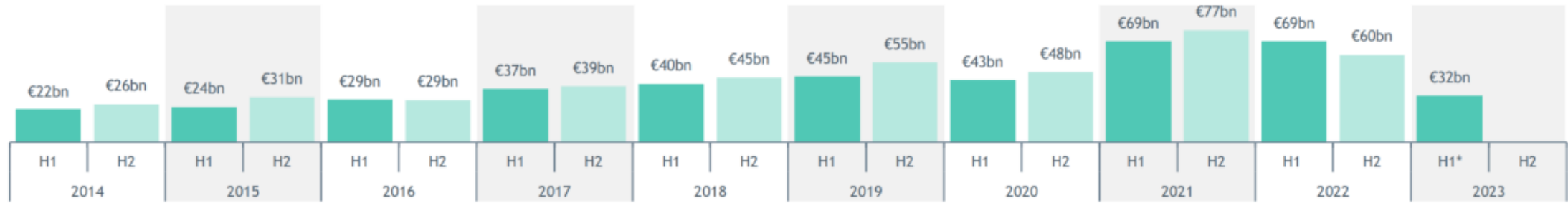
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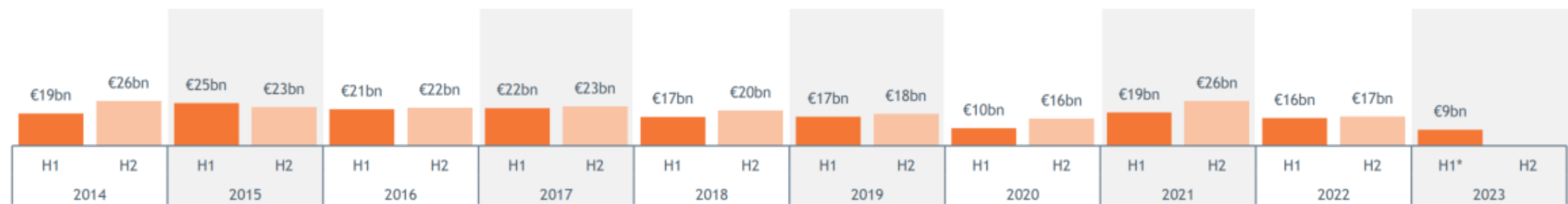
### FUNDRAISING



### INVESTMENTS



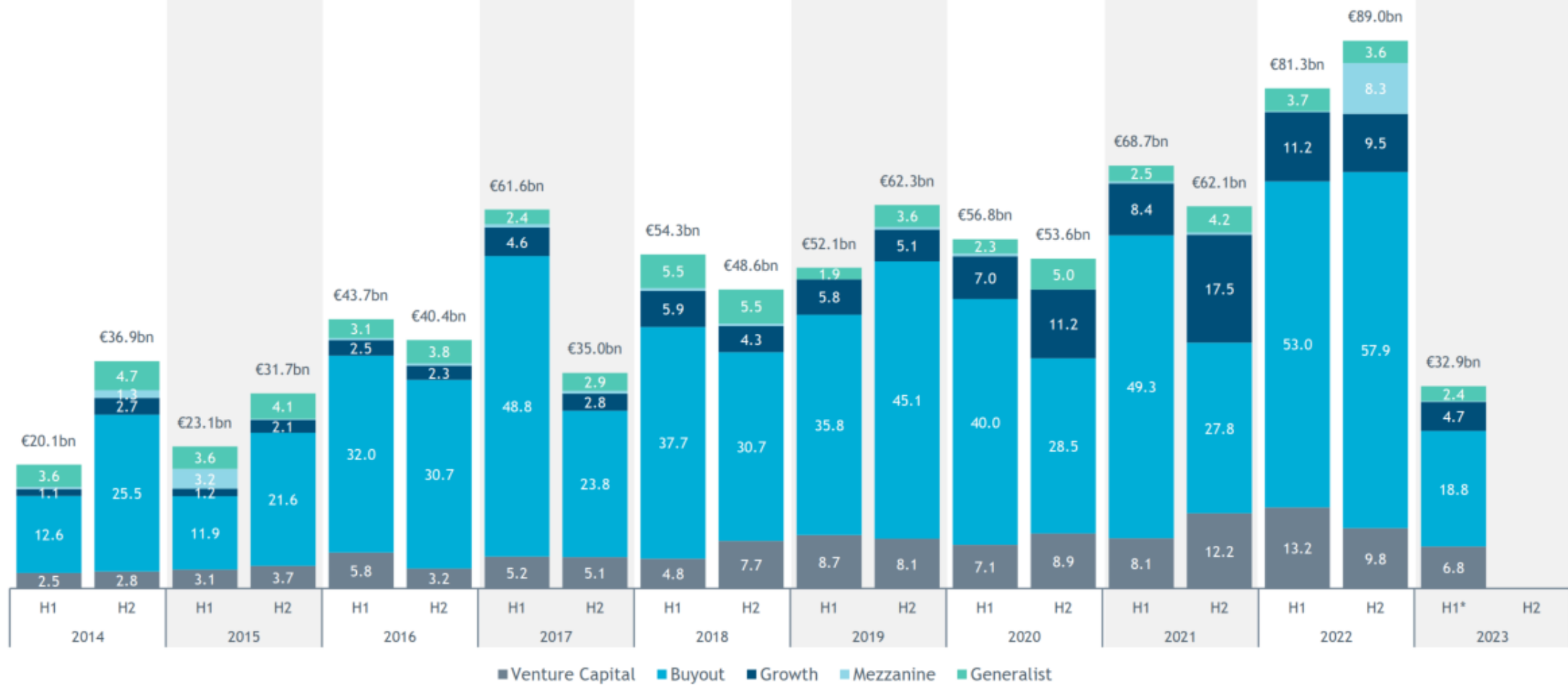
### DIVESTMENTS



Source: Invest Europe / EDC

\* Data is preliminary and subject to change

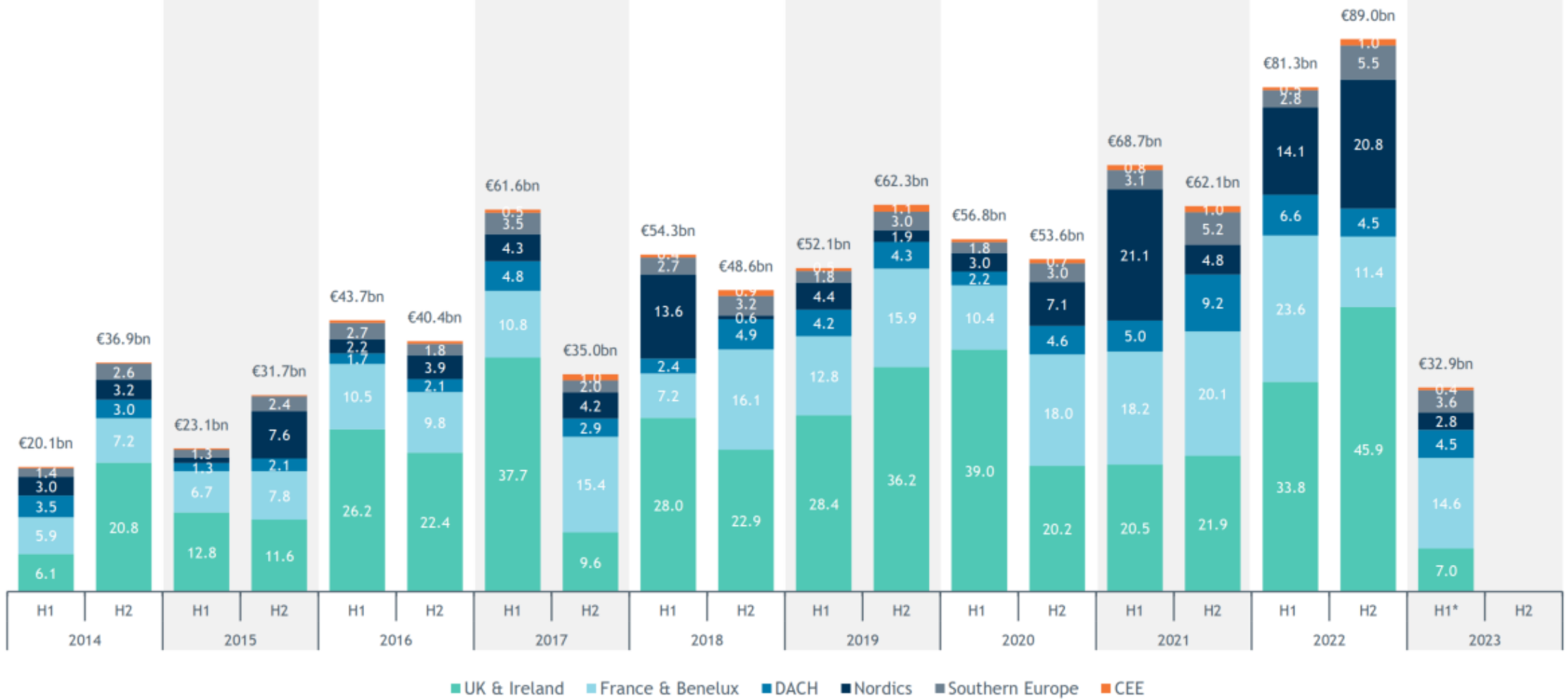
EXAMPLES: PE/VC



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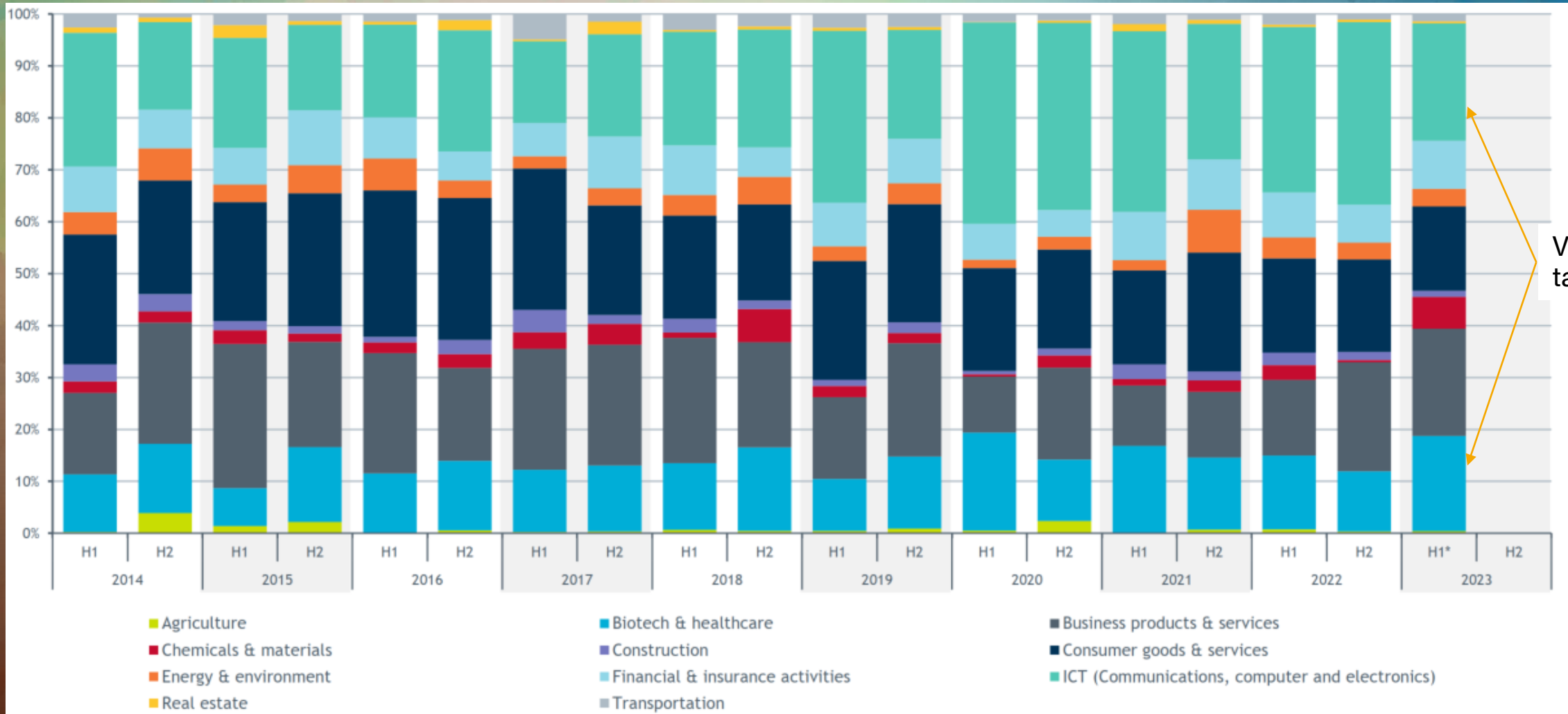
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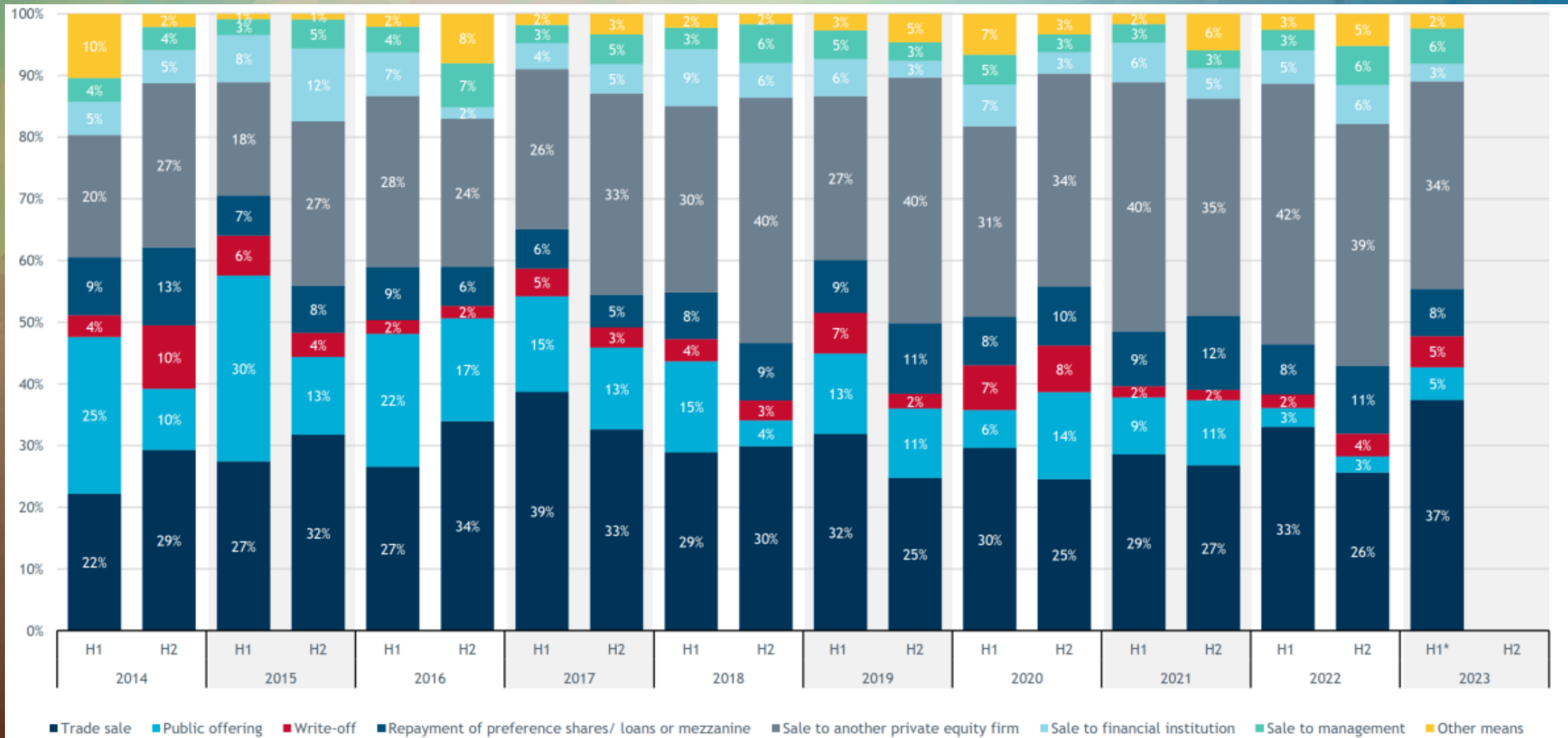
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