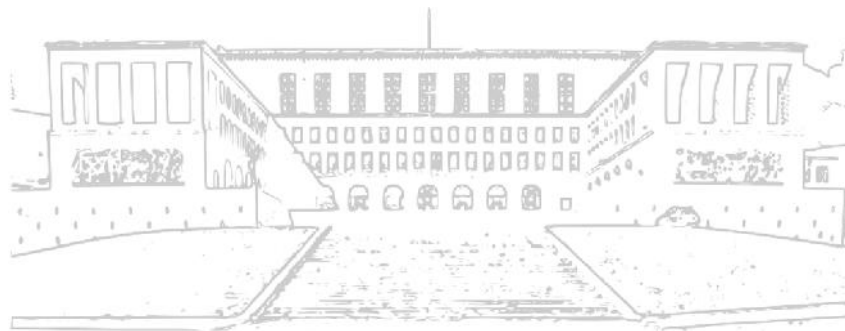


FINANCIAL MARKETS AND INSTITUTIONS

INVESTMENT BANKING AND THE SECURITIES' INDUSTRY

A.Y. 2016/2017
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AGENDA

- Investment banks
- Brokers and dealers
- Private equity and venture capital

INVESTMENT BANKS

- Despite not collecting deposits and making loans, they facilitate fundraising of corporations with a full range of dedicated services
- Income is heavily fee-based on these services
- Main intervention areas:
 - **underwriting** in the primary market,
 - **servicing** new issues of securities on the secondary market,
 - **brokering** for HNWI,
 - **advising** on extraordinary operations (f.i. M&A and buyouts)
 - market **research**,
 - **trading** and **asset management**
 - **merchant banking**
- Financial crises underlined several **conflicts of interest** deriving from their compensation schemes and their excessive risk-taking

INVESTMENT BANKS

Intervention on securities

- offering advice on features and timing of new issues of securities
- administrative services on issuing securities (filings, disclosures, advertising, ...)
- directly underwriting new issues (or through syndicates) and servicing its public offering, by either assuming or not its placement risk and avoiding over- and under-subscriptions
- placing can take the form of “best efforts agreements”, where selling prices are not guaranteed
- placing can also be reserved to selected investors through private placements

INVESTMENT BANKS

Intervention on sales of companies

- Firm's value calculation
- Market "discreet" inquiries to gather potential buyers (protecting confidentiality of both parts)
- Assisting the due diligence process
- Assisting the terms of the definitive agreement
- Advising on friendly and hostile M&A on both sides and providing ancillary services (tender offers, fundraising, design of resistance measures, ...)

BROKERS AND DEALERS

Brokers:

- investors' agents matching buyers and sellers of securities
- compensated by fees
- orders can be at market prices (market orders), limited (max/min), stop-loss (selling automatically if defined price threshold is reached), short selling (borrowing securities, selling today and replacing them in the future)
- also margin credit (loans to extend buying capacity) and accounts with payment/settlement services
- also market research and continuous advice (full-service) Vs execution only (discount brokers)

BROKERS AND DEALERS

Dealers (market makers):

- provide their own inventory of selected securities
- add liquidity to otherwise illiquid assets (f.i. small volumes or entities)
- continuously offer bid/ask (buy/sell) opportunities for investors
- compensated by price spreads

Both brokers and dealers bear potential conflicts of interest addressed by regulation

PRIVATE EQUITY AND VENTURE CAPITAL

- Limited partnership raises money from selected HNWI ('private')
- Venture capital:
 - Supply funds to young, start-up firms with high growth potential but limited access to traditional credit and financial markets
 - VC owns equity in assisted firms aiming at long-term returns
 - VC selects representatives in BoD to provide expertise, advice and growth opportunities, but also monitors firms' activities
 - VC comes in different stages as firms develop their strategy (seed, early-stage, later-stage investing)
 - VC exits through IPOs or M&As
 - High risk, high expertise, high returns

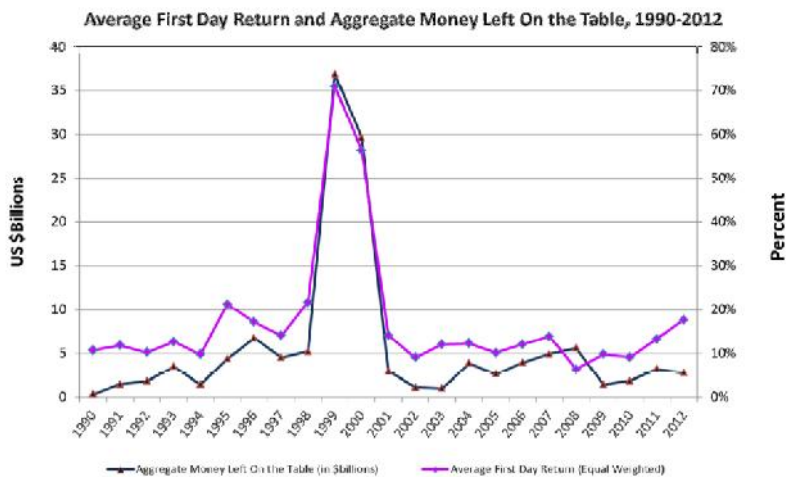
PRIVATE EQUITY AND VENTURE CAPITAL

- Private equity buyouts:
 - Limited partnership raises money from selected HNWI ('private')
 - assisting public companies going private by buying and retiring their stocks, usually because they are not performing well
 - regulatory burden is relieved, new committed management is hired (with lots at stake in the deal)
 - focus on strategy to return to profitability
 - if results are achieved, IPOs or M&As

Both schemes require high expertise, involve high risk but can prove highly rewarding for 'patient money'

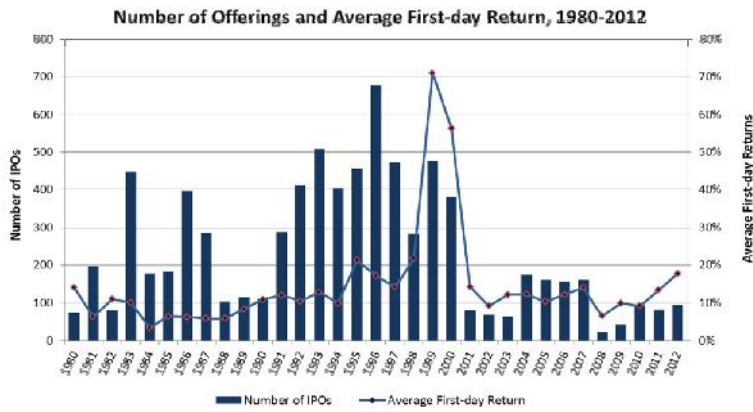
EXAMPLES

1. Some interesting statistics on IPOs (MLOTT is the gain for original shareholders in day 1) [US data, Ritter J.R., University of Florida]



EXAMPLES

2. Some interesting statistics on IPOs [US data, Ritter J.R., University of Florida]



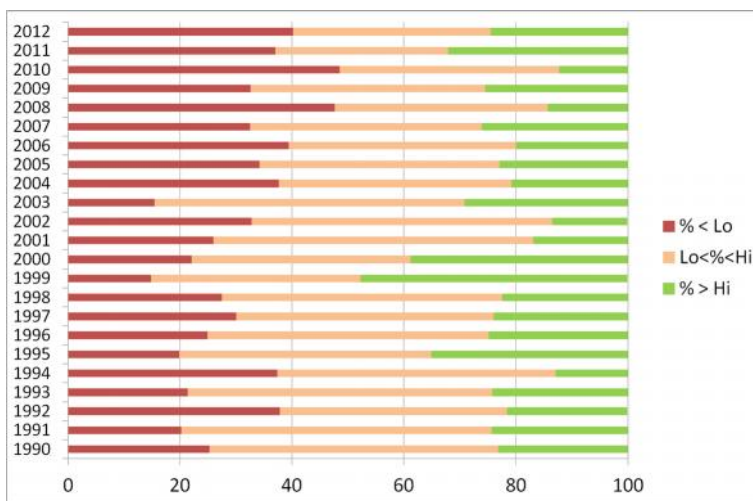
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EXAMPLES

3. Some interesting statistics on IPOs [adapted from US data, Ritter J.R., University of Florida]

Price range and 1-day returns



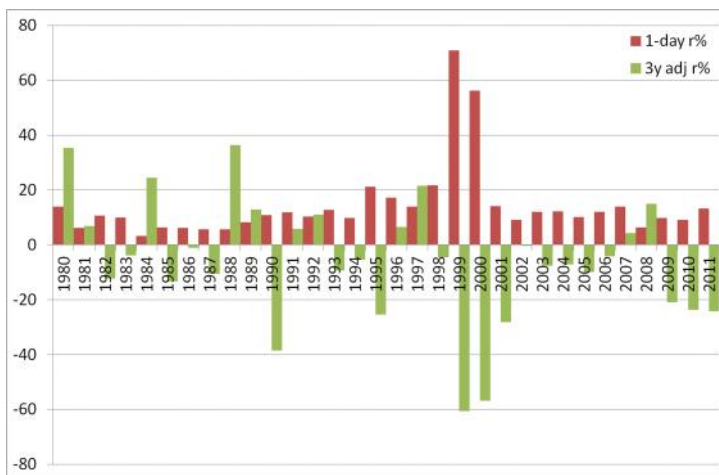
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EXAMPLES

4. Some interesting statistics on IPOs [adapted from US data, Ritter J.R., University of Florida]

1day VS 3year performance

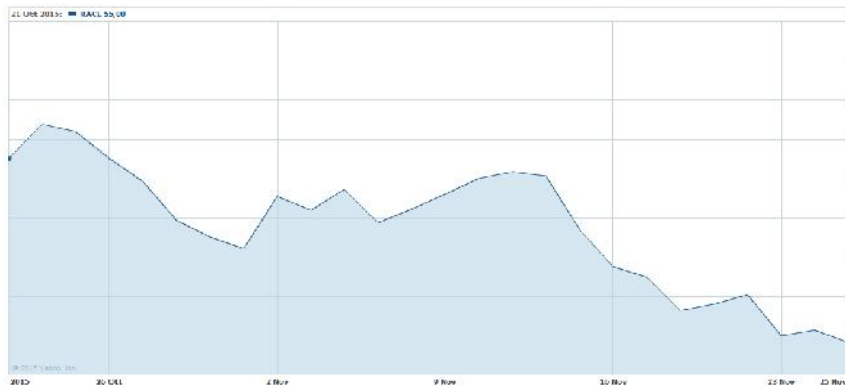


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EXAMPLES

5. What about Ferrari's IPO and its original range set at 48-52\$/s?



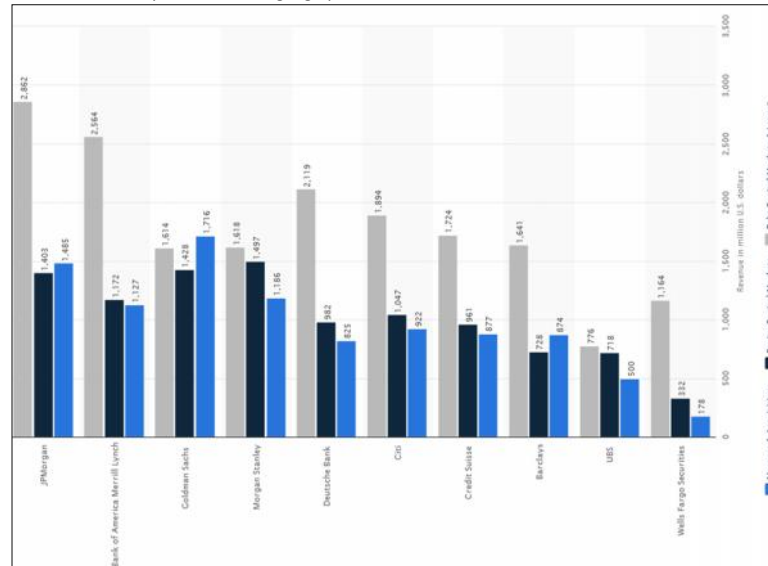
Current analysts' opinions	Target price	Notes
Mediobanca:	64\$	joint bookrunner
Ubs	60\$	leading underwriter
BofA Merrill Lynch	60\$	joint bookrunner
JpMorgan Chase	52\$	joint bookrunner
BNP Paribas	46\$	joint bookrunner
Evercore Isi	40\$	no direct involvement

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EXAMPLES

6. Top 10 investment banks by M&A fees and geographical distribution of revenues [statista.com, 2014]

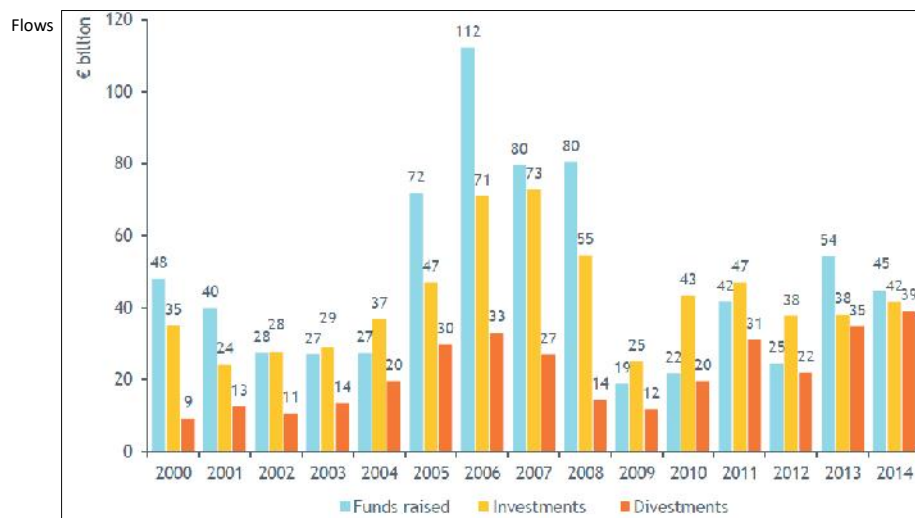


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EXAMPLES

7. European Private Equity and Venture Capital figures [EVCA.eu]



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EXAMPLES

8. European Private Equity and Venture Capital figures [EVCA.eu]

New funds raised



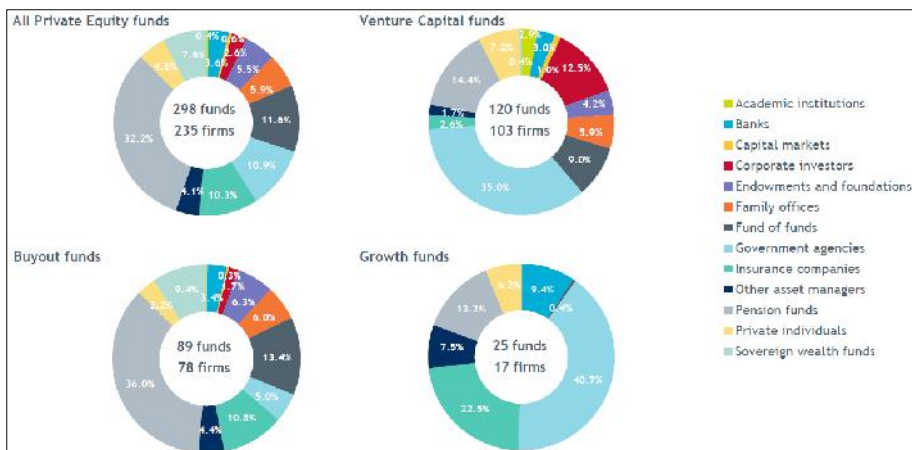
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EXAMPLES

9. European Private Equity and Venture Capital figures [EVCA.eu]

By type of investor



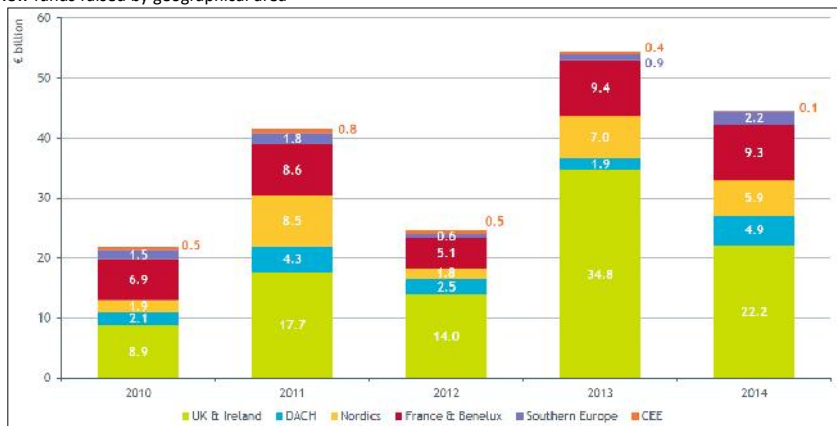
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EXAMPLES

10. European Private Equity and Venture Capital figures [EVCA.eu]

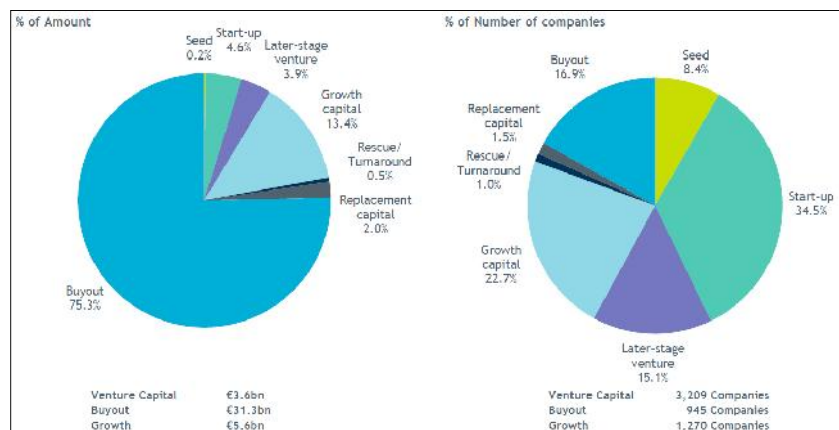
New funds raised by geographical area



EXAMPLES

11. European Private Equity and Venture Capital figures [EVCA.eu]

Targets



EXAMPLES

11. European Private Equity and Venture Capital figures [EVCA.eu]

By sector

