

Solving The Chicken And The Egg Problem

by Eva Sadej

Insights From The

of the Wall Street Job Search

Authors of the Bible On Investment Banking

You can't get a job until you've got experience. You can't get experience until you've got a job. As in a good number of career paths, the chicken and the egg scenario is prevalent in the financial services industry, particularly in investment banking.

The reasons why are two-fold. Firstly, your job involves dealing with complex transactions and sensitive client relationships with very high stakes—situations in which no one will trust you unless you have already proven yourself in some relatable way. A poor choice made in recruiting can be costly for an investment bank in terms of the opportunity cost of not hiring the candidate behind you who may have perhaps been a little more enduring, tactful, or quicker.

Secondly, the best preparation for investment banking is performing

actual investment banking work. Universities, even those with business and finance programs, do relatively little to prepare you compared to the tried-

“What we've done as finance practitioners is harness the ultimate blend of theory and practice.”

— Pearl

and-true corporate training programs available at major banks and the price-less experience of learning by doing.

So how do you beat the odds?

Knowledge and presentation. By knowing as much as you possibly can in the most cohesive manner that you can. By knowing the details but predominantly by being able to keep track of where they fit in the bigger picture and having examples to back this up. By learning how to speak “I-banker.”

Written by two current Wall Street bankers, *Investment Banking: Valuation, Leveraged Buyouts, and Mergers & Acquisitions* breaks new ground in explaining how the pros perform valuation, M&A, and capital markets analysis. It is already being used as training material at numerous investment banks and business school programs around the world. Additionally, the book is currently the top selling valuation and corporate finance text in the world.

We at HCIM interviewed the authors, Joshua Rosenbaum and Joshua Pearl to learn more about their motivations in writing the book and whether this book is indeed appropriate for our audience. Joshua Rosenbaum is a Managing Director at UBS Investment Bank in the Global Industrial Group, where he advises on, structures, and

originates M&A, corporate finance, and capital markets transactions. He received his AB from Harvard and his MBA with Baker Scholar honors from Harvard Business School. Joshua Pearl is a Director at UBS Investment Bank in Leveraged Finance, where he structures and executes leveraged loan and high yield bond financings, as well as leveraged buyouts. He received his BS in Business from Indiana University's Kelley School of Business.

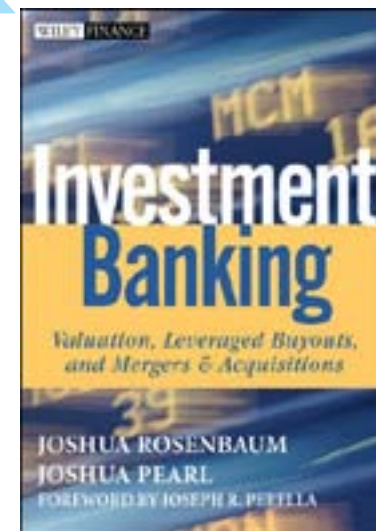
After the interview, we are overwhelmingly positive that this is absolutely critical for anyone who wants to get an edge in the Wall Street job search, be that in investment banking, private equity, hedge funds, investment management, research, corporate finance, or even the Treasury or the office of the CFO.

How does your book fill a niche? What makes it different from other books like it?

Pearl: Other books available in the market are predominately written by finance professors. These books are far less applicable to the real world of finance as practiced on Wall Street. What we've done as finance practitioners is harness the ultimate blend of theory and practice – quite literally, as the finance techniques revealed in our book reflect contributions from both academic and Wall Street leaders.

The number and diversity of people that edited this book is astounding, reflecting an elite group of bankers, private equity investors, hedge fund professionals, corporate lawyers, and financial analysts. In short, this is the book we wish had existed when we

were trying to break into Wall Street. **Rosenbaum:** Investment banking is highly specialized. Even the best business schools don't quite teach the exact skill set you need. The curricula they teach may be accurate and provide a foundation, but there is still a



“Investment Banking provides a highly practical and relevant guide to the valuation analysis at the core of investment banking, private equity, and corporate finance. Mastery of these essential skills is fundamental for any role in transaction-related finance. This book will become a fixture on every finance professional's bookshelf.”

Thomas H. Lee
President, Lee Equity Partners, LLC
Founder, Thomas H. Lee Capital Management, LLC

“This book will surely become an indispensable guide to the art of buyout and M&A valuation, for the experienced investment practitioner as well as for the non-professional seeking to learn the mysteries of valuation.”

David M. Rubenstein
Co-Founder and Managing Director, The Carlyle Group

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Please direct advice and feedback to josh@investmentbankingbook.com

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"Rosenbaum and Pearl succeed in providing a systematic approach to addressing a critical issue in any M&A, IPO, or investment situation—namely, how much is a business or transaction worth. They also put forth the framework for helping approach more nuanced questions such as how much to pay for the business and how to get the deal done. Due to the lack of a comprehensive written reference material on valuation, the fundamentals and subtlety of the trade are often passed on orally from banker-to-banker on a case-by-case basis. In codifying the art and science of investment banking, the authors convert this oral history into an accessible framework by bridging the theoretical to the practical with user-friendly, step-by-step approaches to performing primary valuation methodologies."

--Joseph R. Perella

Chairman and CEO, Perella Weinberg Partners

"As a practitioner of hundreds of M&A and LBO transactions during the last 20 years, I recommend this book to advisors, financiers, practitioners, and anyone seriously interested in investment transactions. Rosenbaum and Pearl have created a comprehensive and thoughtfully written guide covering the core skills of the successful investment professional with particular emphasis on valuation analysis."

--Josh Harris

Managing Partner, Apollo Management, LP

disconnect between theory and practice, including specific techniques, frameworks, and real-world application under intense time pressures. Our book allows you to self-teach everything you need to know to get your foot in the door with both feet ready to go. For example, at a recent corporate finance workshop I gave at Wharton, it was very gratifying to see that nearly all the students in the audience had the book. That in of itself speaks volumes about its importance as a Wall Street training tool.

So Harvard does not prepare you for finance. Do you regret the experience?

Rosenbaum: Oh, absolutely not. As a graduate from Mather House, I wouldn't trade it for the world. Harvard offers one of the best liberal arts educations that you can get...period. That will stay with you for life, no matter which career path you choose. It also has a world-leading economics department and offers a wonderful theoretical foundation. In fact, one of the inspirations for writing this book was to better prepare Harvard and other liberal arts students aspiring for a career in finance. I have been

working with the Harvard Office of Career Services on that front over the past couple of years and will be giving an Investment Banking 101 presentation on campus at Harvard on January 25, 2011. The Harvard Coop also stocks our book, including several signed copies. Every year, I invest a great deal of time in recruiting from Harvard and other target schools.

How would a student go about reading this book? How long would it take?

Pearl: It depends on how deep you want to get into the material. The valuation chapters begin with a summary of the basic concepts if you want the book to simply make you fresh for the interview. But if you really want to get into the details and nitty-gritty, it can take you up to six weeks. Somewhere between two and six weeks is ideal to develop a solid foundation. The book is only 300 pages and is filled with tons of graphics.

I heard it took you 5 years to write this book. Is this true?

Rosenbaum: At least. Writing this book was a herculean effort. We are both full-time investment bankers, and after working full days and half

of our nights, we used any free time we had to write this book and coordinate with our network of industry veterans and academic contributors, even some lawyers, to edit it down to perfection. Late nights, holidays, and a lot of sacrifices was our formula.

How have the messages you intended changed over the time frame of your writing?

Pearl: A lot happened between the time when we decided to write the book and when we finished the final manuscript. We began writing at the beginning of a bull market with market color and insights reflecting that reality. Then the markets came down from unprecedented peaks and we adjusted accordingly. For example, we adapted our two chapters on leveraged finance and leveraged buyouts. I believe that our timing in writing the book was actually very beneficial in that we were able to incorporate the events of 2008 and therefore capture the "new normal" that ensued and continues today. In general, our book emphasizes that while the fundamentals of valuation are timeless in the sense that mathematics and certain other scientific principles are endur-



"Investment banking requires a skill set that combines both art and science. While numerous textbooks provide students with the core principles of financial economics, the rich institutional considerations that are essential on Wall Street are not well documented. This book represents an important step in filling this gap."

--Josh Lerner

Jacob H. Schiff Professor of Investment Banking, Harvard Business School
Coauthor, *Venture Capital and Private Equity: A Casebook*

ing, their practical application is very timely as it needs to reflect prevailing market conditions, which can be highly volatile. The way we think about the book is that it provides you with the financial anchor that will allow you to weather any storm that the markets bring your way.

Does the book apply to areas of finance other than investment banking? What about the buy-side?

Rosenbaum: The basic skill set across the financial industry is pretty universal. This book has applications across all sectors of the financial industry because valuation is a fundamental skill that all financial professionals need to understand and use. In fact, we have a significant readership among private equity and hedge fund professionals, and we know this from the amazing feedback we received and their encouraging remarks during the editing process.

Any comments about investment banking as a career in general?

Pearl: Investment banking is the ultimate apprenticeship program. You

enter a neophyte and after two years are expected to be an expert. After two years you can continue working as an investment banker or pursue other career options. Numerous analysts choose to pursue careers in pri-

“Everything you need to know to get your foot in the door with both feet ready to go.”

-Rosenbaum

private equity or alternative asset management. Some choose to start their own business or pursue graduate school. Whatever the path, the two year analyst program on Wall Street is one of the best stepping stones.

Rosenbaum: I've been doing recruiting for a number of years and

I firmly believe that an investment banking analyst program is the ideal training ground for a career in finance. What you learn is priceless for the buy-side, the office of the CFO, business development, start-ups, or anything else you decide to do later on. And our book is focused on preparing you for that career in finance. At the same time, students need to understand that it is a challenging and demanding job – in most cases, it is actually pretty self-selecting and students should do their homework beforehand.

Will there be another edition coming out?

Pearl: We certainly hope so. It's typical in professional finance publishing that after a few years of strong sales, a revised edition gets underway. I would expect a revised edition in the future with updated data and potentially some expanded topics, but the fundamental valuation methodologies and lessons will apply.

HCIM would like to especially thank Joshua Rosenbaum and Joshua Pearl for this exclusive interview.