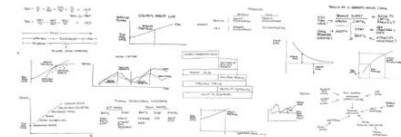


WHAT IS INVESTMENT BANKING

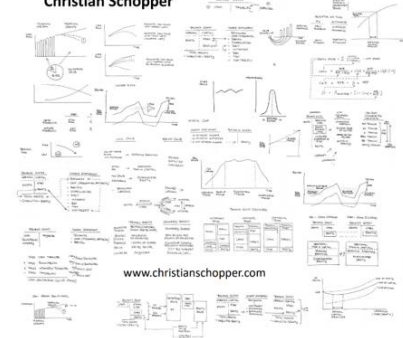
2021

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What is Investment Banking?



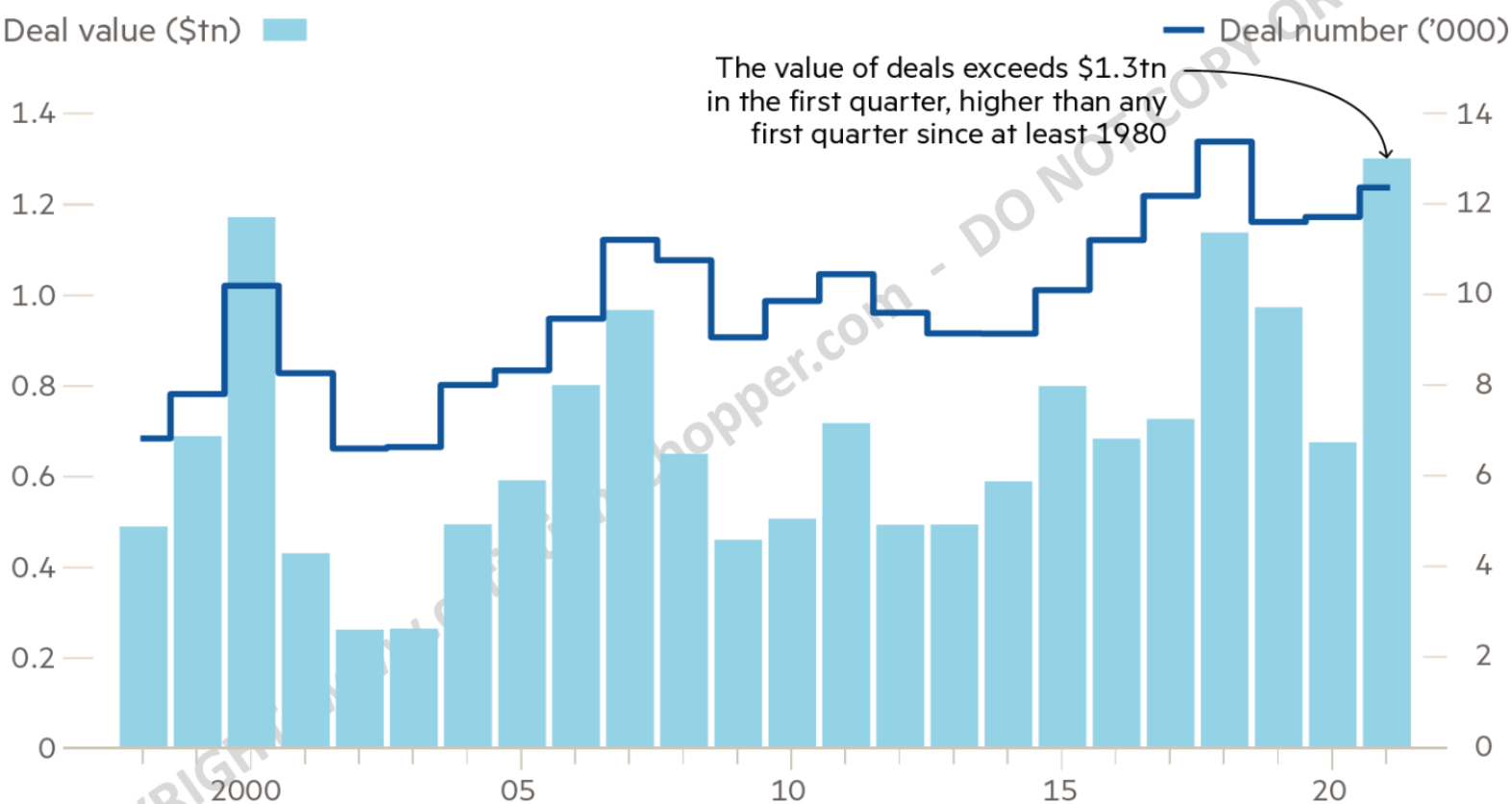
April 2021 - A look back at the wildest quarter for dealmaking in memory ...

Here are a few of the things that have happened as the first quarter of 2021 came to a close:

- The S&P hit a new record on Thursday, passing 4,000 points for the first time, propelled by technology shares
- Dealmaking had its strongest-ever start to the year, with deals worth \$1.3tn agreed, more than any first quarter since records began in 1980
- Banks had their most lucrative quarter in at least 20 years, bringing in more than \$37bn in total fees
- Private equity groups raised more than \$20bn in the US leveraged loan market in a fresh quarterly high, loading companies they own with fresh debt to award themselves a bumper payday
- Spacs raised more money in under three months than they'd raised in an already heady 12 months in 2020
- Venture capitalists invested at the fastest pace in more than a decade
- The GameStop saga detached share prices from corporate realities, while the Archegos selling frenzy exposed how it's possible for a little-known family office to make incredible use of leverage, and Greensill Capital's administrator has failed to verify invoices underpinning loans to Sanjeev Gupta

Global M&A Dealmaking

Global dealmaking hits record in Q1 2021

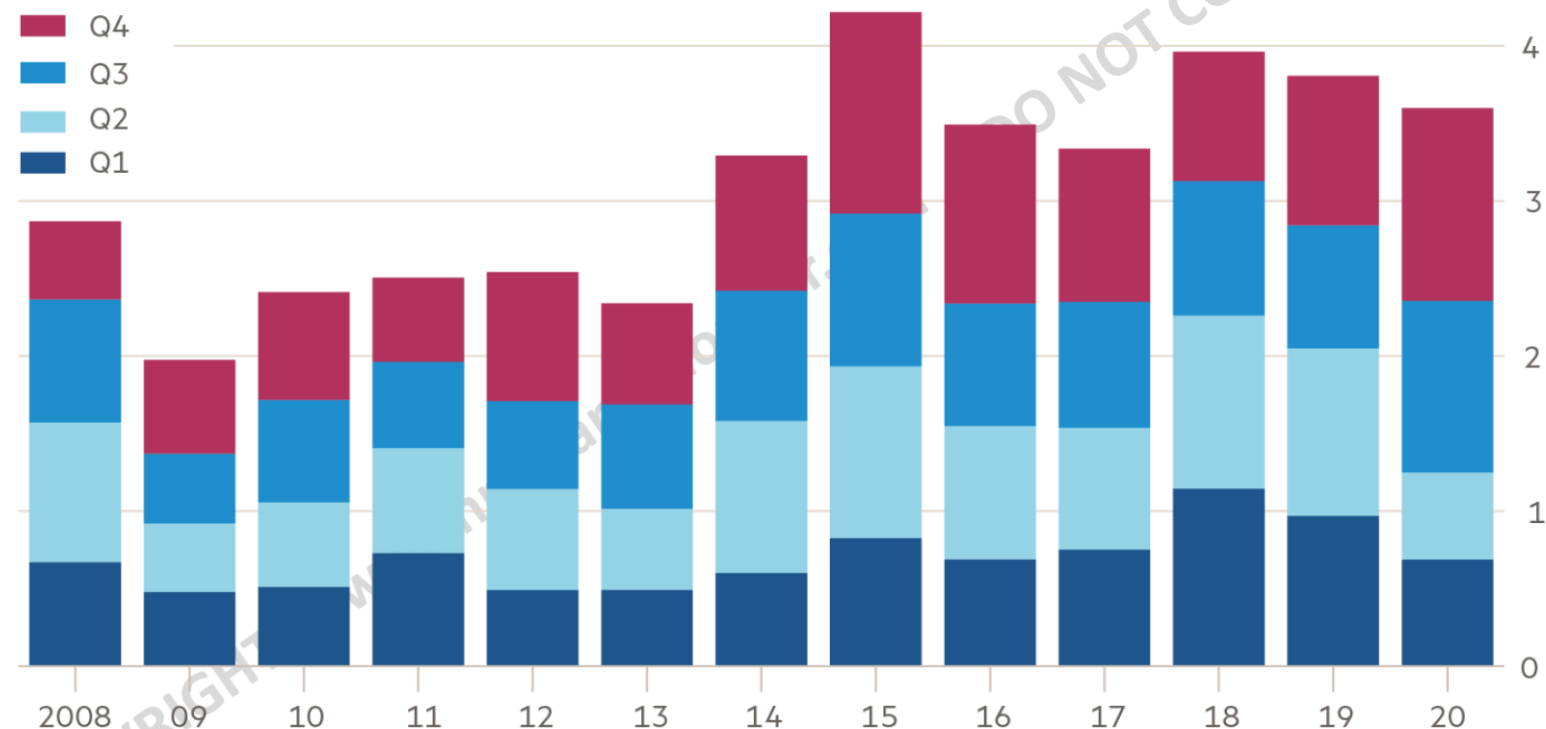


Q1 figures only
Source: Refinitiv
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Global M&A Dealmaking

M&A activity recovers in the second half of 2020

Deal value (\$tn)



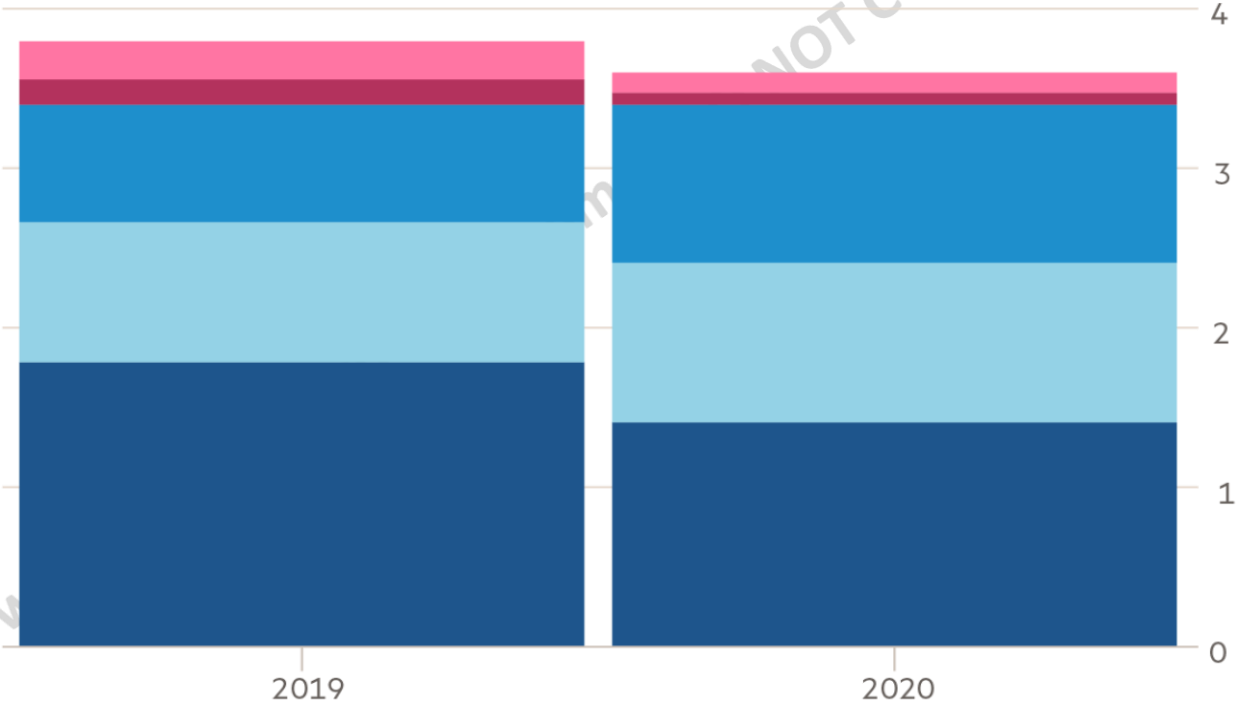
Source: Refinitiv
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Global M&A Dealmaking

European deals boom makes up for US M&A slowdown

Deal value (\$tn)

- Other
- Africa/
Middle East
- Europe
- Asia-Pacific
- US

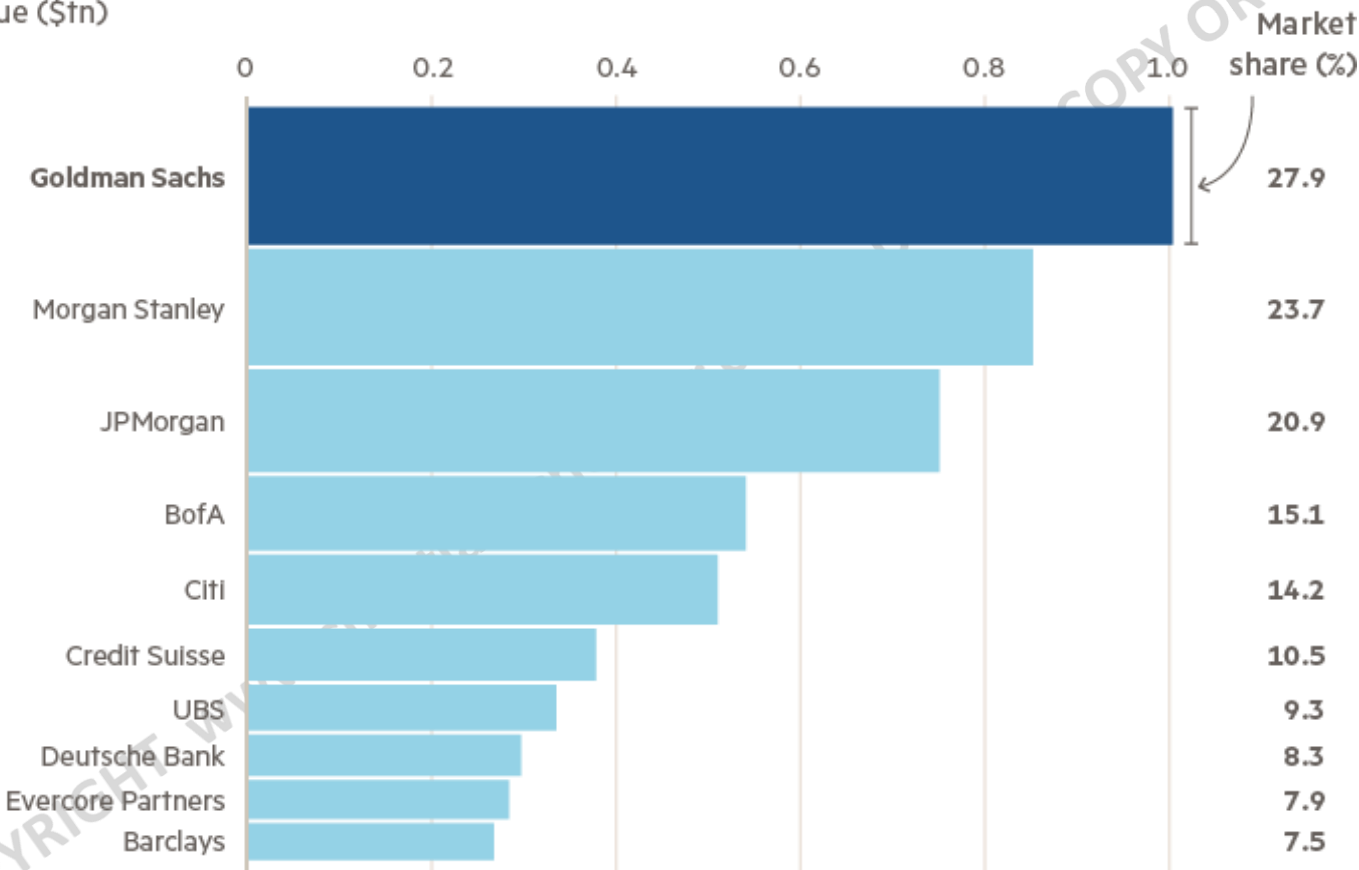


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Global M&A Dealmaking

Goldman Sachs retains top dealmaker status

Value (\$tn)



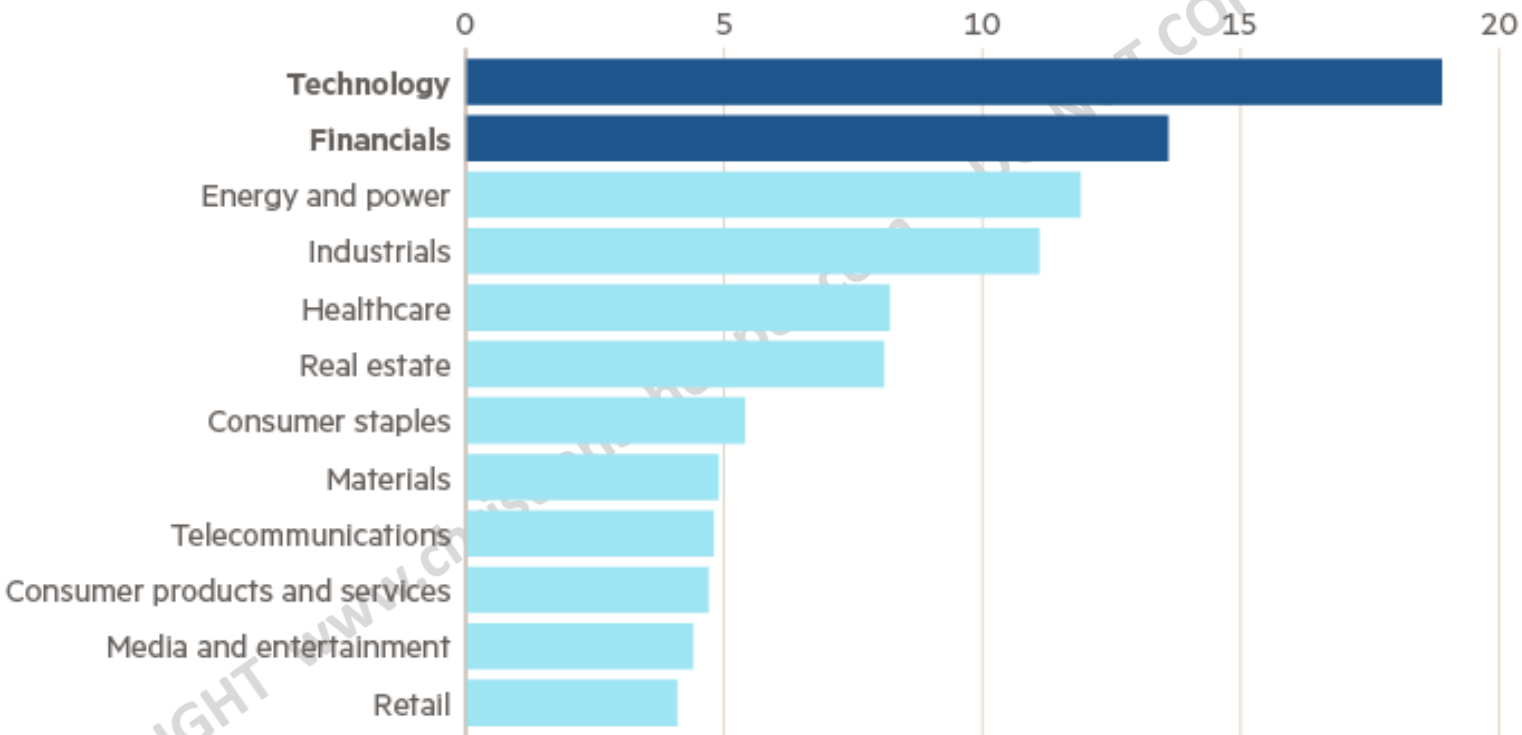
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Global M&A Dealmaking

Tech and finance dominate dealmaking

M&A activity by sector (%)



Source: Refinitiv

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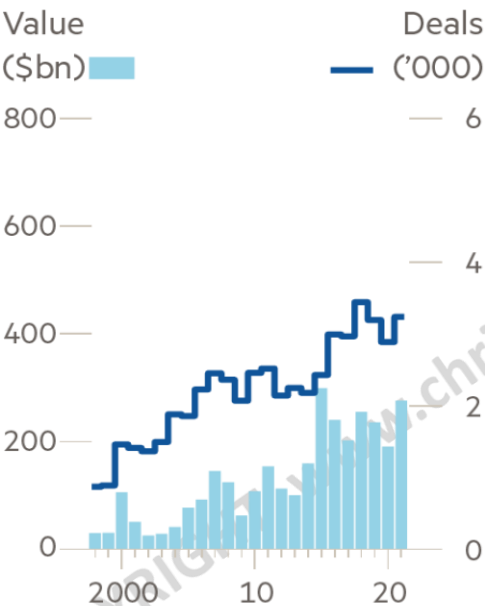
Global M&A Dealmaking

US accounts for much of the growth in global M&A

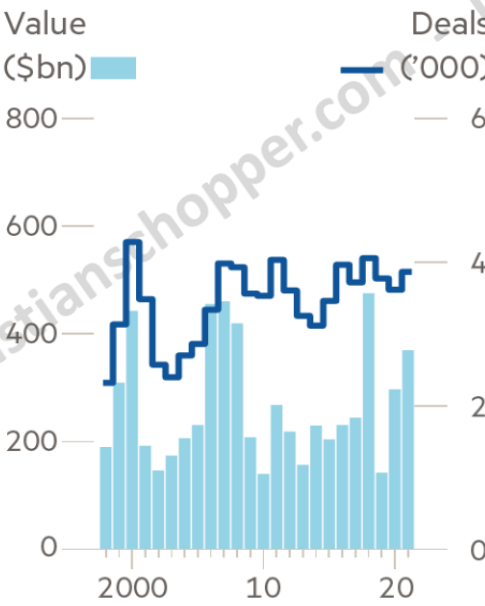
By deal value and number of deals

US deal volumes by value rose 160% to \$654bn, the increase was 3.5 times larger than Asia-Pacific ex Japan and more than six times the rate in Europe

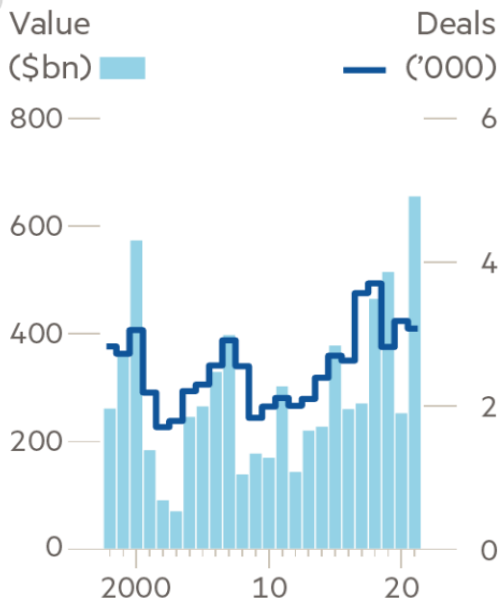
Asia-Pacific ex Japan



Europe



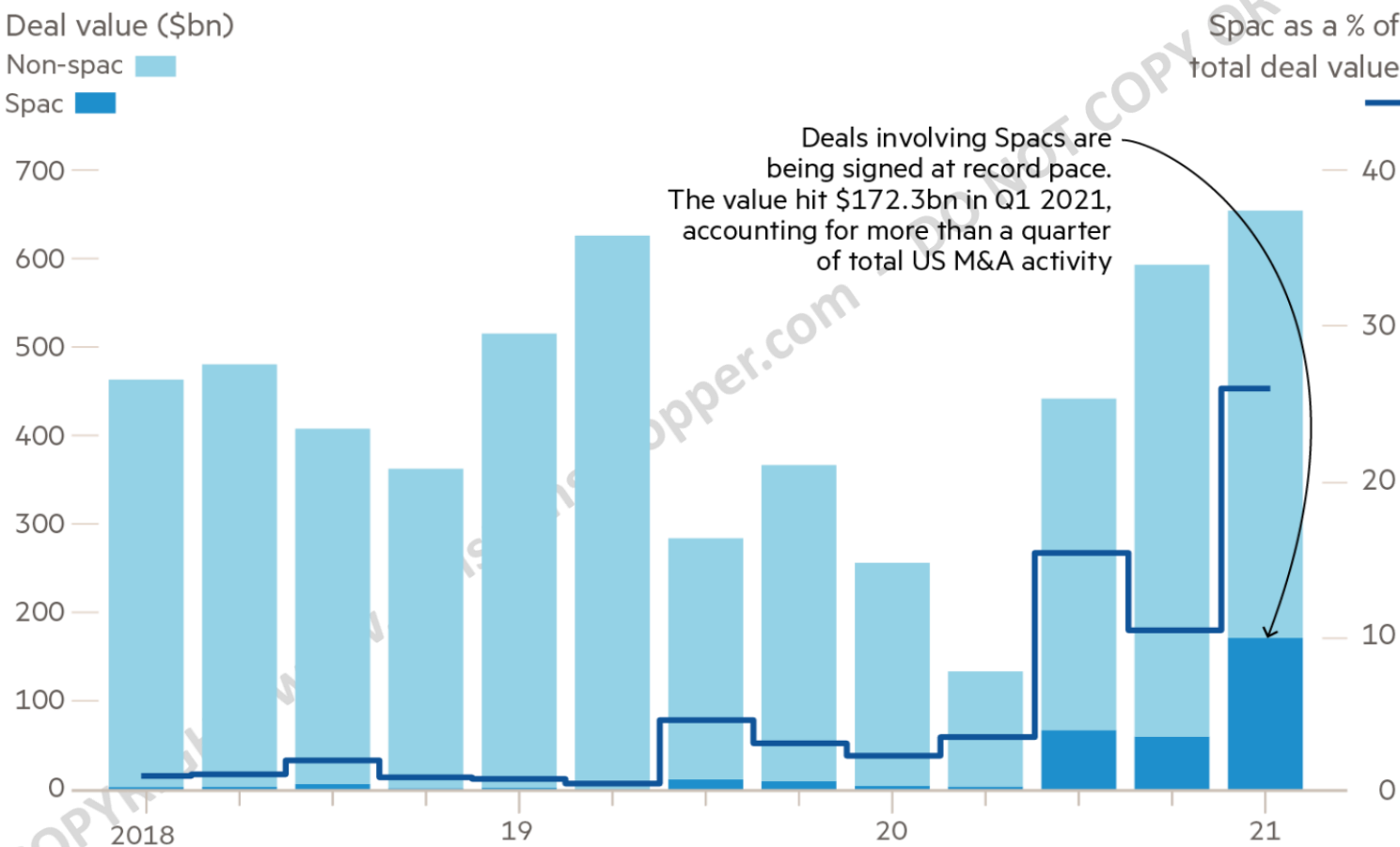
US



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Global M&A Dealmaking

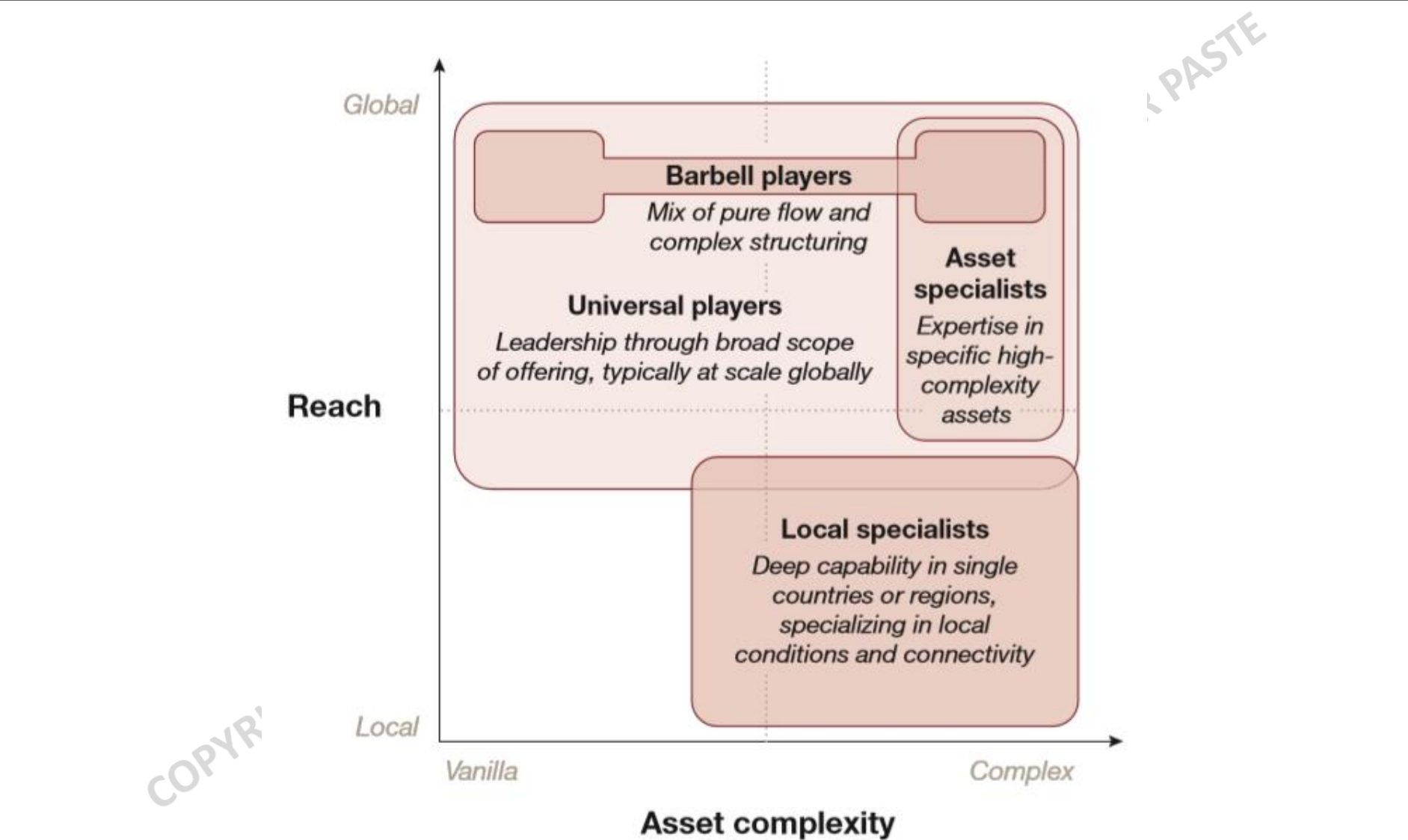
Spac boom fuels M&A volumes in the US



Source: Refinitiv
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Challenges in Investment Banking

Ways to Play Investment Banking



Ways to Play Investment Banking (cont'd)

- Barbell players
 - Combination business playing at each end of the asset complexity scale
 - At the low end, cost leadership through high straight-through processing (STP) scale, universal connectivity, and efficiency
 - At the top end, building on low-end flow engine to deliver complex structuring with deep expertise in specific higher-margin solutions
- Asset specialists
 - Deep expertise in specific complex products, nonstandard exchanges/platforms
 - Engage in higher-margin activity for returns
 - May be market maker in chosen asset classes
- Universal players
 - Global reach and extensive asset and solution suite
 - Require in-house scale for cost leadership on flow
 - However, also need ability to attract talent to provide specialist solutions
- Local specialists
 - Deep capability in individual markets or regions
 - Strong local knowledge, networks, and connectivity

Ways to Play Investment Banking (cont'd)

Way to play	Capabilities system				
	Clients, markets, and products	Pre-trade	Trading	Product and trade control	Post-trade
Barbell players	Mix of exchange-traded STP products and complex structured solutions leveraging flow products	High-touch relationship capabilities Strong understanding of complex offerings Full STP for flow	Specialist skills in structuring and client contact	Minimize head count as proportion of flow product increases	Balance insourcing and outsourcing Leverage scale to drive cost leadership
Asset specialists	Selected range of complex/exotic assets	Market-leading research in chosen areas High-touch relationship model	Specialist skills (traders, quants, etc.) Specialist trading platforms and connectivity	Higher head count to manage non-flow products	Externalize where possible, maximizing use of external platforms, utilities, etc.
Universal players	Full range of assets and structured products, global reach	Full mix of skills required for all areas, requiring balanced investment across all functions, as well as supporting technology and operations			
Local specialists	Moderate or high complexity assets in selected markets or regions	Strong local networks and knowledge, with potential for higher cost in less developed markets	Build local capabilities across chosen mix of asset classes and country maturity	Maintain breadth of capability to support asset mix	Externalize where possible, maximizing use of external platforms, utilities, etc.

High investment priority

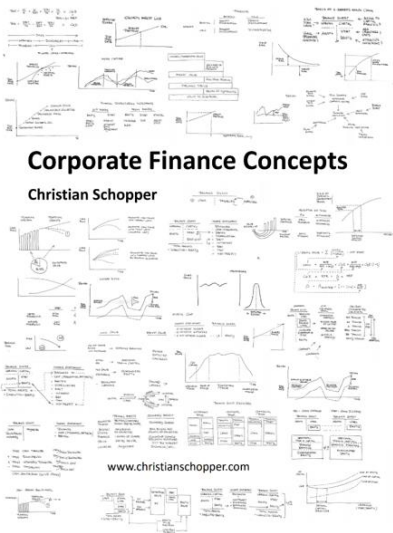
Medium investment priority

Low investment priority

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