

INVESTMENT BANKING**Yassine Boudghene and Eric De Keuleneer**

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Yassine Boudghene is Head of the Financial Policies and Methodology at the Finance Division of the European Investment Bank and was Head of Section and Joint Supervisory Team Coordinator at the European Central Bank until 2018. He worked previously at the European Investment Bank (Financial Policy), the European Commission (Financial Crisis Task Force) and BNP Paribas Fortis (Debt Capital Markets Group). He lectures at the Solvay Brussels School of Economics and Management.

Course Outline

This course explores the most specific aspects of investment banking, namely those around corporate finance and primary markets.

As such, the course examines a comprehensive set of financial situations that arise in companies and is designed to provide students with a practical understanding of such topics like initial public offering (IPO) and other equity capital market instruments, bond offerings, syndicated lending, mergers and acquisitions (M&A).

Other more specific financing structures such as leverage-buy-out (LBO) and asset securitization are also reviewed. The institutional aspects of investment banking, the conflicts of interest issues and in general the role of compliance and ethics in investment banking will also be covered.

The course draws, to a large extent, upon analytical techniques provided in previous courses, deepens and extends the core theory introduced in those courses by examining applications. The theoretical background will be complemented with case studies that will constitute the basis for most class discussions.

Appropriate background readings will be provided to students, and students are also encouraged to perform their own research if deemed appropriate.

At the end of the course, Participants will be able to:

- Understand how equity and capital markets work
- Understand the M&A process
- Structure different types of primary market transactions in the equity and debt capital markets, given specific contexts. and
- Understand the institutional aspects of investments banking, the conflicts of interest issues and in general the role of compliance and ethics in investment banking.

Course Structure

- I. Course organization**
- II. Investment banking – an overview**
- III. Selected pre-requisites**
 - a. Company Valuation in Practice
 - i. Review of main valuation techniques, based on best practice spreadsheets and stylized examples
 - b. Interest rates
 - i. Central bank rates / Interbank curve / sovereign curves / ...
 - ii. Yield components: base rates and spreads
- IV. Equity Capital Markets**
 - a. Introduction
 - b. Initial Public Offerings (IPOs)
 - c. Rights Issues
 - d. Accelerated Bookbuildings
 - e. At the Market Offerings
 - f. Case Studies: Interbrew's IPO and The Facebook IPO hype
- V. Debt Capital Markets**
 - a. Syndicated Loans
 - i. Definition, types and rationale
 - ii. Selected applications and bank roles
 - iii. Main instruments
 - iv. Major steps, from mandate to closing
 - v. Pricing components
 - vi. Documentation
 - vii. Syndication strategy
 - viii. Case Study: Chase's Strategy for syndicating the Hong Kong Disneyland loan
 - b. Bonds
 - i. Definition
 - ii. Main terms
 - iii. Bond valuation principles, in primary and in secondary markets
 - iv. Major steps in bond issuance process
 - v. Case Study: Belgacom Inaugural institutional benchmark bond offering
 - c. Leverage Buy-Out
 - i. Definition
 - ii. Main steps
 - iii. Drivers of LBO value creation
 - iv. LBO funding sources
 - v. Case Study: Lion Capital and the Blackstone group: the Orangina Deal
 - d. Asset Securitisation
 - i. Special focus: tranching models
 - ii. Case study: Tranching of Credibe's mortgage loan portfolio, using rating agencies' tranching models
- VI. Mergers and Acquisitions**
 - a. Types of M&A and historical perspective
 - b. M&A Process
 - c. Fairness Opinion
 - d. Points of attention
 - e. Case Study: Gillette: the acquisition of Duracell
- VII. Governance- Ethics - Perspectives**
 - a. Case Study: Aligning culture and compensation at Morgan Stanley