Finance Professional Speaker Series:
A Career in Corporate Finance
Corporate finance progression

- Big 6 consulting
- Full-time MBA
- Investment banking
- Venture capital
My background

- Finance undergraduate from UF 1990
- UF MBA 1995
- Career in consulting, merchant banking, investment banking, venture capital
- Don’t miss many Gator football or basketball games
My first real job...

- Ernst & Young consulting
- Specialized – capital markets/public debt
- Good training, basic skills, introduction to corporate world, importance of clients
- Returned to UF for inaugural three term/one year MBA in 1994
No specific plan after MBA

- Specialized in finance during MBA
- Arnie Heggestad’s class generated interest in venture capital
- Chris James’ class generated interest in investment banking
- Accepted a position with a boutique investment bank
Boutique?

- Small to middle-market deals: transaction values from $5 million to $100 million
- Under the radar of bulge bracket firms
- Firm’s original specialty was financial institutions; expanded reach
- Generalists – advice-focused, not product-focused
Investment banking career

- Stage 1: analyst
- Mergers and acquisitions predominately
- Numbers and analysis: financials, projections, market comps
- Deal work: assist in drafting “books” and participate in some meetings
- Occasional mundane task
Investment banking career

- Stage 2: senior analyst
- Numbers and analysis: cost savings estimates, purchase price estimates in M&A scenarios
- Deal work: more input for books and more participation in meetings
- Valuations and fairness opinions
Investment banking career

- Stage 3: partner
- Negotiation – know the numbers and know the psychology
- Psychology – what’s driving the acquiror
- Client development
- EVP with management responsibilities
- Director with vision/big picture input
Investment banking career

- Fee structures
- Compensation structures
Investment banking career

- Most complex – peer merger of 3 financial institutions
- Most negotiation art – small acquisition of satellite truck manufacturer
- Led occasional IPOs
- Private equity rounds for start-ups; liked hands-on approach
Logical progression: VC

- Adding value at the board level – vision
- Hands-on involvement
- Success identifying start-ups for private equity
  - Management teams
  - Concept/technology
  - Prasara/Time Warner deal
Venture capital career

- Stage 1: Principal
- Supervise first screen of business plans
- Supervise analysts’ work
- Perform due diligence
- Sponsor deals for presentation to partners
- Investment decisions; board seats
Venture capital career

- Stage 2: Managing Director
- Investment committee/decisions
- Board seats/portfolio company responsibilities
- Fundraising; contact with fund’s limited investors; credibility and track record
Venture capital career

- Fee structures
- Compensation structures
Venture capital update

Sucks (technical term)
VC update

Four Factors Drove Unprecedented Growth and Investment Within the IT Sector – Leading to 2000

Y2K Upgrades

Perhaps the largest concerted IT effort in history; spending estimates range from $300 to $600 billion*

Under the guise of Y2K spending, IT departments replaced antiquated legacy systems and infrastructure.

Legacy System Upgrades

The imperative: adopt the future now or risk obsolescence

Web/Technology Adoption

99-00 VC commitments $138B
99-00 VC disbursements $163B
More than previous 18 yrs combined!!!
Increased IPO activity
The rise of the individual investor

Investment Climate

*Source: Gartner
VC update

Those Four Factors Post-2000

Y2K Upgrades

Spending finished and, for the most part, not replaced – macro influence

Legacy System Upgrades

Corporate focus on cost cutting; budget squeeze for IT departments

Web/Technology Adoption

Benefits yet to materialize in many cases; adoption rates slowed

Investment Climate

Slow/stop VC commitments
Slow/stop VC disbursements
IPO window closed
Lousy market

*Source: Gartner
VC update

- Depressed valuations
- Limited exits for portfolio companies
- No follow-on ability for some VCs
- Negative returns for three years
- Contentious board meetings, investors vs. investors and investors vs. management
VC update

- Definitely improving
- Good deal flow again and reasonable valuations
- 2Q04 VC investments +19% vs. 2003 ($5.6B)
- Weed-out some of the VCs
- Returns becoming positive again
Corporate finance career influences

- Regional, sophisticated corporate finance exists
- Deal is direct reflection of the individuals involved – not just the name of the firm
- Skill set development important
  - Identify your strengths and hone those skills
  - Identify your weaknesses – important part of progression; must fill gaps
- Mentor just as important as (if not more important than) company name
- Stay in touch with UF WCOB and professors