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Investment Banking

*Valuation, Leveraged Buyouts,
and Mergers & Acquisitions*

with data & analytics from **Bloomberg**

JOSHUA ROSENBAUM

JOSHUA PEARL

FOREWORD BY JOSEPH R. PERELLA

AFTERWORD BY JOSHUA HARRIS

WILEY

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SECOND EDITION

JOSHUA ROSENBAUM

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Investment Banking

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*In loving memory of Ronie Rosenbaum, an inspiration
for strength and selflessness.*

—J.R.

*To the memory of my grandfather, Joseph Pearl, a Holocaust
survivor, for his inspiration to persevere and succeed.**

—J.P.

*A portion of the authors' royalties will be donated to The Blue Card Fund aiding destitute Holocaust survivors—www.bluecardfund.org.

Additional Resources

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Valuation Models for the methodologies discussed in *Investment Banking, Second Edition* are available with purchase of the book or can be purchased separately at www.wiley.com. If the models came with your version of the book, go to www.wiley.com/go/investmentbanking2e and input the access code found at the back of the book.

There are five model templates as well as five completed models, one for each of the following:

- Comparable Companies
- Precedent Transactions
- DCF Analysis
- LBO Analysis
- Merger Consequences Analysis

WORKBOOK

The *Investment Banking Workbook* is designed for use both as a companion to *Investment Banking, Second Edition*, as well as on a standalone basis. The workbook provides a mix of multi-step problem set exercises, as well as multiple choice and essay questions—over 400 questions in total. It also provides a comprehensive answer key that aims to truly teach and explain as opposed to simply identify the correct answer. Therefore, the answers themselves are an effective learning tool. The completion of this comprehensive guide will help ensure the achievement of your professional and educational milestones.

Foreword

Mark Twain, long known for his critical views of formal education, once wisely noted: “I never let my schooling interfere with my education.”

Twain’s one-liner strikes at the core of investment banking, where deals must be lived before proper knowledge and understanding can be obtained. Hard time must be spent doing deals, with complexities in valuation, terms, and negotiations unique to every situation. The truly great firms and dealmakers have become so by developing cultures of apprenticeship that transfer knowledge and creativity from one generation to the next. The task of teaching aspiring investment bankers and finance professionals has been further complicated by the all-consuming nature of the trade, as well as its constantly evolving art and science.

Therefore, for me personally, it’s exciting to see Joshua Rosenbaum and Joshua Pearl take the lead in training a new generation of investment bankers. Their work in documenting valuation and deal process in an accessible manner is a particularly important contribution as many aspects of investment banking cannot be taught, even in the world’s greatest universities and business schools. Rosenbaum and Pearl provide aspiring—and even the most seasoned—investment bankers with a unique real-world education inside Wall Street’s less formal classroom, where deals come together at real-time speed.

The school of hard knocks and of learning-by-doing, which was Twain’s classroom, demands strong discipline and sound acumen in the core fundamentals of valuation. It requires applying these techniques to improve the quality of deals for all parties, so that deal makers can avoid critical and costly mistakes, as well as unnecessary risks. My own 35+ years of Wall Street education has clearly demonstrated that valuation is at the core of investment banking. Any banker worth his salt must possess the ability to properly value a business in a structured and defensible manner. This logic and rationale must inspire clients and counterparties alike, while spurring strategic momentum and comprehension into the art of doing the deal.

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.

Many seasoned investment bankers commonly lament the absence of relevant and practical “how-to” materials for newcomers to the field. The reality is that most

financial texts on valuation and M&A are written by academics. The few books written by practitioners tend to focus on dramatic war stories and hijinks, rather than the nuts-and-bolts of the techniques used to get deals done. Rosenbaum and Pearl fill this heretofore void for practicing and aspiring investment bankers and finance professionals. Their book is designed to prove sufficiently accessible to a wide audience, including those with a limited finance background.

It is true that we live in uncertain and volatile times—times that have destroyed or consumed more than a few of the most legendary Wall Street institutions. However, one thing will remain a constant in the long-term—the need for skilled finance professionals with strong technical expertise. Companies will always seek counsel from experienced and independent professionals to analyze, structure, negotiate, and close deals as they navigate the market and take advantage of value-creating opportunities. Rosenbaum and Pearl promulgate a return to the fundamentals of due diligence and the use of well-founded realistic assumptions governing growth, profitability, and approach to risk. Their work toward instilling the proper skill set and mindset in aspiring generations of Wall Street professionals will help establish a firm foundation for driving a brighter economic future.

JOSEPH R. PERELLA

Chairman and CEO, Perella Weinberg Partners

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