

How to get yourself ready for an interview at an investment bank

You're a student at a university or business school and you're looking for an internship at an investment bank. But you've never been for an interview in this field and you don't know how to prepare for it. There's no need to panic! If you want to give yourself the best chance of achieving your dream, you should prepare for the interview methodically, leaving nothing to chance, so that when the day arrives, you'll know exactly what the interviewer expects of you.

Before you even start preparing for your interview, you should make sure that you understand the way the banking world in general works, and more particularly, the bank to which you're applying. What business lines is the bank involved in (in general, and at "your" bank)? How does a bank work? What is the competitive environment? What is its position on the market? Read "*Guide des carrières en finance*", written by the editorial team of www.eFinancialCareers.fr.

Once you've done this initial background research, you can start working on your investment bank interview. You must be able to explain clearly and to give well-thought out reasons why you want to go into investment banking, why you've chosen a particular field (M&A, Equity Capital Markets, etc.), why you want to work at that specific bank (why did you choose it rather than another?). It is vital that you understand the investment banking environment in order to be able to discuss it during the interview, in terms that correspond to the reality of the business and to show that you're interested in the subject. In addition, given that investment banking is a very demanding field, motivation and a strong personality are two qualities that will stand you in very good stead.

However, an interview at an investment bank is not just a personality test and quite often, candidates are asked a so-called "technical" question in order to assess their financial knowledge (acquired at university or during internships), as well as their ability to discuss issues that they may not necessarily be all that familiar with, and their ability to respond under pressure. The interviewer may do this in a more or less systematic way, and may intentionally try and destabilise the candidate. Sometimes the candidate will be asked to do a practical case study.

So, it is vital that candidates understand and are able to discuss certain basic financial elements. Firstly, in the area of accounting, candidates must be familiar with and understand the following accounting documents: the balance sheet, income statement and cash flow statement (understand the different items on the balance sheets, be able to analyse an income statement, a cash flow statement, be familiar with consolidation methods and their impact on the configuration of accounting documents, etc.). Basic knowledge perhaps, but vital nonetheless. More sophisticated financial knowledge is also required. Knowledge of certain definitions and concepts is indispensable: capital employed, ROCE and ROE, P/E ratio, EBITDA multiple, free cash flow, shareholder's required rate of return, cost of capital, etc.

More specific questions may be asked, depending on the field you're interested in and for which you're applying. For an internship in an M&A department, an understanding of valuation methods is vital (DCF, comparable market and transaction multiples, sum-of-the-parts). Here, both the logic behind the methods and the key elements thereof must be grasped (WACC, terminal value, multiples of the value of capital employed and the value of equity, etc.). In ECM, you'll be asked more questions relating to drafting a memo. You may be asked more specific questions, for example, about restatements in valuations such as pension fund commitments, provisions for liabilities and charges, etc.) Warning! For this sort of question, if you don't know the answer, you'll be judged on your ability to think quickly, to react under pressure and on your honesty (it's always better just so say "I'm sorry, I don't know" than to come up with something silly). The quiz on www.vernimmen.com which has 279 questions and answers should help you to revise these points!

Finally, one last piece of advice: read the economic press (the Financial Times, The Vernimmen.com Newsletter) so as to keep abreast of the latest economic news. Your interviewer must be persuaded that this is a field you keep up with and that really interests you.

And to conclude, get a good night's sleep before the interview. Relax, don't put yourself under too much pressure. Just try and be yourself.

Pascal Quiry

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