**Investment banking functions**

* The Investment Bank is divided into two parts i.e. SELL and BUY part.
  + The Sell side involves creation, promotion, analysis and sale of securities to the buy side of the industry this means underwriting securities offerings which means funding and bringing them to market.
  + The Buy side involves large scale buying of securities for mutual funds, pension funds, private equity funds and hedge funds and insurance firms for money management purposes.
* One main service of investment bank is helping companies raise capital. They advise companies on issuing new debt and equity, underwriting these offerings and help sell securities.
* Investment banks also guide companies involved in mergers, acquisitions and re-organizations. They act as a broker and/or financial advisor for institutional clients and trade securities in their own accounts.
* **Essentially, investment banks serve as**[**middlemen between a company and investors**](https://www.investopedia.com/ask/answers/060115/what-difference-between-investment-and-retail-bank.asp)**when the company wants to issue**[**stock**](https://www.investopedia.com/terms/s/stock.asp)**or**[**bonds**](https://www.investopedia.com/terms/b/bond.asp)**. The investment bank assists with pricing financial instruments to maximize revenue and with navigating regulatory requirements.**
* **They employ advanced data analytics and machine learning to identify market trends, assess risks, and make informed trading and investment decisions.**
* **In 2021, U.S. investment banks facilitated over 1,000 IPOs, raising more than $300 billion in capital.**
* **In 2021, U.S. investment banks advised on over 6,000 M&A deals, with a total transaction value exceeding $2 trillion.**
* **Three common categories include**[**bulge bracket (BB) banks**](https://mergersandinquisitions.com/bulge-bracket-banks/)**,**[**middle market (MM) banks**](https://mergersandinquisitions.com/middle-market-investment-banks/)**, and**[**boutique investment banks**](https://mergersandinquisitions.com/boutique-investment-banks/)
  + [**Bulge Bracket Investment Banks (BBs)**](https://mergersandinquisitions.com/bulge-bracket-banks/)**– These are the largest global banks that offer all products and services and operate in all regions. They work on the largest deals (usually over $1 billion USD) and have the widest brand-name recognition. It consist of JP Morgan, Goldman Sachs, Morgan Stanley, Bank of America.**
  + [**Elite Boutique Banks (EBs)**](https://mergersandinquisitions.com/elite-boutique-investment-banks/)**– A subset of “boutique banks,” these firms are smaller than the**[**bulge bracket banks**](https://mergersandinquisitions.com/bulge-bracket-banks/)**, and they tend to specialize in areas like M&A and Restructuring rather than underwriting. It include Lazard, Evercore, and Moelis.**
  + [**Middle Market Banks (MMs)**](https://mergersandinquisitions.com/middle-market-investment-banks/)**– These banks offer a variety of products and services and have a wide geographical presence, but they tend to work on smaller deals, such as those worth less than $1 billion. It includes Jefferies, William Blair.**
  + [**Industry-Specific Boutiques (ISBs) and Regional Boutique Banks (RBs)**](https://mergersandinquisitions.com/boutique-investment-banks/)**– These firms tend to focus on narrow industries, such as healthcare or technology, or they only operate in one location and tend to work on much small deals (e.g., below $100 million).**

**Merger and Acquisitions**

* In an acquisition, one company purchases another outright.
* A merger is the combination of two firms, which subsequently form a new legal entity under the banner of one corporate name.
* One case point is Both Daimler-Benz and Chrysler ceased to exist [when the two firms merged](https://www.investopedia.com/articles/insights/061816/4-cases-when-ma-strategy-failed-acquirer-ebay-bac.asp), and a new company, DaimlerChrysler, was created. Both companies' stocks were surrendered, and new company stock was issued in its place.
* In the days leading up to a merger or acquisition, shareholders of the acquiring firm will see a temporary drop in share value. At the same time, shares in the target firm typically experience a rise in value. This is often due to the fact that the acquiring firm will need to spend capital to acquire the target firm at a premium to the pre-takeover share prices.
* In 2021, the value of merger and acquisition (M&A) deals with targets based in the United States was twice as high as in the previous year and peaked at 2.6 trillion U.S. dollars. In 2022, however, the value of M&A deals in the United States decreased again, reaching 1.6 trillion U.S. dollars.
* This happened may be due to Concerns about inflation, rising interest rates, and potential recession made companies more cautious.
* Stock market volatility and declining stock prices affected valuations and deal-making.
* The 2021 boom was partly due to a rebound from the pandemic, which normalized in 2022.
* The projected transaction value in the Mergers and Acquisitions market for the United States is expected to reach US$1.36tn in 2024.

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| **Year** | **Value of merger and acquisition (M&A) transactions in the US** |
| 2006 | 1419.77 |
| 2007 | 1327.99 |
| 2008 | 757.45 |
| 2009 | 690.32 |
| 2010 | 729.89 |
| 2011 | 838.31 |
| 2012 | 870.61 |
| 2013 | 903.93 |
| 2014 | 1372.92 |
| 2015 | 1901.88 |
| 2016 | 1484 |
| 2017 | 1318.02 |
| 2018 | 1554.37 |
| 2019 | 1593.67 |
| 2020 | 1285.36 |
| 2021 | 2605.16 |
| 2022 | 1617.61 |