

# Quick Reference Card (QRC)

## Utilize ENTER™ Quality Framework to Ensure Content Has Value

Philosophy	Put into Action
<p><b>Expectational:</b> Always be thinking about the future, all in an effort to convey how your expectations differ from consensus and resist the temptation to focus on the past. Understanding historical trends is important (and much easier than forecasting the future), but only spend time in this area if it helps in forecasting a future stock price move. Think of all of the pointless quarterly write-ups that are the equivalent of reporting last week's weather (rather than predicting future trends).</p>	<ul style="list-style-type: none"> <li>• Ensure that you have a forward-looking view of the most important critical factors for each company.</li> <li>• Identify important dates or events that could be catalysts to cause the stock to perform significantly differently from its peers or the broader market.</li> <li>• When responding to news flow, such as a company's earnings release, keep asking yourself, "How does this change my <i>forward view</i>?"</li> </ul>
<p><b>Novel:</b> Identify the piece of information you have that's not in the consensus view, or if responding to news flow, ask yourself, "How is the market misinterpreting the information?" If a company's quarterly results don't change your future view, how is spending time beyond digesting the information helping others? (It's probably not).</p>	<ul style="list-style-type: none"> <li>• Determine where your information fits into the FaVeS* framework for stock picking. If it doesn't cover one of those areas or a catalyst, it's probably not worth communicating.</li> <li>• Ask yourself, "Why would a stock owner be interested in learning my insight today?"</li> <li>• Avoid the common mistake of communicating information that's not unique (telling someone that a stock is at a 12x P/E multiple when it should be at a 14x multiple is not novel).</li> </ul>
<p><b>Thorough:</b> Ensure the thoroughness of your research is commensurate with the potential impact on your stock(s) by obtaining insights to accurately forecast critical factors. Most analysts are employed by firms that ask clients to pay for their thorough research...which should go beyond just accepting management guidance.</p>	<ul style="list-style-type: none"> <li>• Have more than one source of information to confirm an out-of-consensus critical factor when it's imperative to your stock call.</li> <li>• Create a financial forecast that's detailed enough to test your hypothesis (e.g., if it's a call on product pricing by segment, there should be historical and forecasted segment pricing in the model).</li> <li>• Use management guidance sparingly (discuss management guidance to show how it <i>contrasts</i> with your view, not as your primary source of information).</li> </ul>
<p><b>Examinable:</b> The best way to raise the quality of any piece of professional work is to expose it to talented peers. It's not necessary to reveal proprietary sources, but effort should be made to provide enough depth to others (investment committee, a trusted colleague, etc.) to see if they would draw the same conclusion.</p>	<ul style="list-style-type: none"> <li>• Collect all of the important data points for others to arrive at your conclusion, including upside and downside scenarios.</li> <li>• Clearly separate: <ul style="list-style-type: none"> <li>○ Your opinion or forecast from...</li> <li>○ Views from others from...</li> <li>○ Undisputable facts</li> </ul> </li> <li>• Prepare your financial forecast and valuation framework so you can provide others with enough detail to see the assumptions for your critical factors and price target(s).</li> </ul>
<p><b>Revealing:</b> Identify specific risks not in your base-case scenario, both positive and negative, by determining why the market believes the stock's current price is more correct than your price target. For an out-of-consensus stock call, assess your conviction level to allow others to gauge the risks to your thesis.</p>	<ul style="list-style-type: none"> <li>• Conduct upside and downside scenarios in addition to your base-case scenario.</li> <li>• Don't just identify only general macro risks, such as "the economy might slow" or "inflation may accelerate," but include risks to the critical factors where you are out of consensus.</li> <li>• For your own use, write down why you have your current level of conviction and what it would take to change it.</li> </ul>

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## Utilize the ENTER™ Quality Checklist Before Recommending Stocks

ENTER™ Quality Checklist (to be used <u>before</u> starting the communication of a stock recommendation)	1=Strongly disagree 5=Strongly agree
<b>Expectational</b>	
<ul style="list-style-type: none"> <li>I have a <u>forward-looking</u> view in terms of the stock and the critical factor(s) likely to move the stock</li> </ul>	
<ul style="list-style-type: none"> <li>I have identified the catalyst(s) likely to move my stock and important dates when the catalyst is most likely to cause the stock to move to my price target</li> </ul>	
<ul style="list-style-type: none"> <li>When I believe the company management's forecast is relevant, I frame it in terms of my <u>independent</u> financial forecast (rather than just repeat management)</li> </ul>	
<ul style="list-style-type: none"> <li>When I review historical information or events, it is in the context of considering the <u>future</u> implications to my investment thesis. (I don't dwell on the past for other reasons.)</li> </ul>	
<b>Novel</b>	
<ul style="list-style-type: none"> <li>I have a piece of information or insight that is new and not widely understood within the financial markets</li> </ul>	
<ul style="list-style-type: none"> <li>I know where my unique (or superior) view falls within the FaVeS™ framework (unique <u>Financial</u> forecast, <u>Valuation</u> method/multiple, or unique view about market <u>Sentiment</u>)</li> </ul>	
<ul style="list-style-type: none"> <li>I know why the market does not have my view</li> </ul>	
<b>Thorough</b>	
<ul style="list-style-type: none"> <li>For critical factors that are key to the stock call, I research more than one source or confirm the insight with an independent source</li> </ul>	
<ul style="list-style-type: none"> <li>If the stock call is based on a unique financial forecast, I conduct detailed modeling in the area surrounding the critical factor(s)</li> </ul>	
<ul style="list-style-type: none"> <li>I avoid using management guidance as the primary justification for the call</li> </ul>	
<b>Examinable</b>	
<ul style="list-style-type: none"> <li>If asked, I can provide the following details of my analysis to a trusted colleague(s):               <ul style="list-style-type: none"> <li>Data or insights about the critical factor(s)</li> <li>Detailed financial forecast or valuation analysis, if key to the investment thesis</li> </ul> </li> </ul>	
<ul style="list-style-type: none"> <li>I clearly separate:               <ul style="list-style-type: none"> <li>Opinion or forecast from...</li> <li>Views of others from...</li> <li>Undisputable facts</li> </ul> </li> </ul>	
<b>Revealing</b>	
<ul style="list-style-type: none"> <li>I utilize upside, downside, and base-case scenarios to identify where the investment thesis could have flaws</li> </ul>	
<ul style="list-style-type: none"> <li>I identify specific risks beyond the macro</li> </ul>	
<ul style="list-style-type: none"> <li>I provide my conviction level to others, even if it is not strong</li> </ul>	

# Quick Reference Card (QRC)

## Utilize ADViCE™ Framework to Maximize Message Delivery Impact

Element	Put Into Action	Examples
<p><b>Aware:</b> Make others aware of alternative scenarios and views, as well as adjustments to your thesis</p>	<p>This is about exposing elements that might not be easy or comfortable:</p> <ul style="list-style-type: none"> <li>• Provide alternative scenarios in the form of base-case, upside and down-side scenarios to show where you could be wrong</li> <li>• Demonstrate you're not oblivious to the other side of your recommendation by addressing why there are alternative views</li> <li>• Disclose when you make adjustments to your thesis</li> <li>• Convey your conviction level, even if it's not high</li> </ul>	<p>My <i>downside</i> scenario results in a stock price of \$18 (10% below yesterday's close), which is based on...[explain], while my <i>upside</i> scenario is \$22 (10% above yesterday's close), which is based on...[explain]</p> <p>I have a high degree of confidence in my call because I have spoken to 3 industry sources independent of the company, whom all confirm this trend.</p>
<p><b>Differentiated:</b> Explain how you differ from the consensus thinking about the stock and its catalyst(s)</p>	<ul style="list-style-type: none"> <li>• <b>Minimize communicating when the message is not differentiated from consensus</b></li> <li>• Using the FaVeS™* framework, quantify how you materially differ from the consensus thinking. To have a valid stock call, you must have a superior and materially-different view to the market in one of these areas: <ul style="list-style-type: none"> <li>○ Financial forecast</li> <li>○ Valuation method/multiple</li> <li>○ Short-term sentiment of the market</li> </ul> </li> <li>• Explain how your view of the catalyst(s) that will drive your thesis differs from the consensus thinking</li> </ul>	<p>My one-year price target of \$45 is derived from a valuation multiple of 15x forward earnings (which is 10% above the company's forward multiple over the past 3 years) applied to my EPS forecast of \$3.00 (10% above consensus). As the company takes further market share in the premium segment of the market, we expect consensus expectations to rise to our estimate and the company to be rewarded a higher valuation multiple because this segment has double the ROIC of the company's existing business.</p>
<p><b>Validated:</b> Support key points with independent research</p>	<ul style="list-style-type: none"> <li>• Without divulging proprietary sources, provide information/data from at least one informed, independent, and reliable source (preferably two or more if it's critical to your call) to validate your out-of-consensus thesis</li> <li>• Quantify as much as possible, including the materiality of your out-of-consensus view</li> <li>• Rely sparingly on company management for insights</li> </ul>	<p>Our view is supported by our quarterly survey of 300 large industry players, where the average price increase for new contracts is up only 1%, compared to consensus expectations for a 4% increase. We believe this difference will cause the company's EPS to be revised down 10% next year.</p>
<p><b>Conclusion-oriented:</b> Be conclusive about stocks and their catalysts</p>	<ul style="list-style-type: none"> <li>• Start your stock communications with conclusions that include: <ul style="list-style-type: none"> <li>○ At least one stock name</li> <li>○ The direction of your view (are you upgrading, downgrading, or just becoming more/less positive)</li> <li>○ The catalyst(s) likely to move consensus to your way of thinking</li> </ul> </li> <li>• A stock should be mentioned no later than the second sentence of your communication</li> <li>• Mention a stock and its rating in the headline for reports and subject lines for emails</li> <li>• Provide a price target and upside/downside vs. the prior day's close</li> </ul>	<p>Start with conclusions such as:</p> <ul style="list-style-type: none"> <li>• We recommend [purchasing/selling] the stock because [discuss your unique view of the critical factor]...</li> <li>• This event, which is a key catalyst to our thesis, is [positive/negative] (quantify earnings per share and cash flow impact if possible) because...</li> </ul> <p>What <i>not</i> to say:</p> <ul style="list-style-type: none"> <li>• We recently attended an industry trade show where we saw a number of products that were interesting but not likely to have any impact on the companies we follow...</li> </ul>

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Utilize ADViCE™ Framework to Maximize Message Delivery Impact

Element	Put Into Action	Examples
<p><b>Easy to Consume:</b> Make it easy for others to consume</p>	<ul style="list-style-type: none"> <li>• Quickly convey the key elements above (Aware, Differentiated, Validated, and Conclusion-oriented)</li> <li>• Quantify insights whenever possible to avoid making the consumers of your message find or compute the information on their own</li> <li>• To draw in your reader, include supportive anecdotes and stories that are representative of the research you are conveying</li> <li>• Be concise:               <ul style="list-style-type: none"> <li>○ Avoid redundancy by creating an outline for reports and presentations</li> <li>○ Revise first drafts of reports and presentations to make them shorter</li> <li>○ Don't explain everything you've researched or include immaterial/extraneous material</li> <li>○ Don't overwhelm with too much raw data</li> </ul> </li> <li>• Avoid too much jargon and acronyms by communicating in a manner that a generalist PM will understand</li> </ul>	<p>Checklist to Ensure You Are Concise:</p> <ul style="list-style-type: none"> <li>• If I had to send this as a short text message or tweet, what could be cut and still convey my message?</li> <li>• Is a topic covered more than once?</li> <li>• Are there non-critical portions that can be specifically referenced in prior or other research available elsewhere?</li> </ul>

\* See Chapter 20 of *Best Practices for Equity Research Analysts* for an explanation of the FaVeS™ framework

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## Stylistic Considerations for Communications

Recommendation	Examples	Why
Speak in the active voice rather than passive, and be specific when possible	Passive: "Expectations are not likely to be met this quarter." Active: "We don't expect the company to meet our \$0.40 EPS for the quarter."	It strengthens your message and shows you've done the work
Don't pretend to have a level of precision that doesn't exist	"We expect XYZ to earn \$7.03 in 2013 by achieving operating margins of 8.37%"	It conveys the image you rely too much on your financial model output without thinking through the big picture
Avoid media-based words or phrases that appear sensationalistic	"The stock is poised for a break-out due to a revolutionary new product," or "This never-before-seen turnaround by management makes this stock a screaming buy."	It will send a signal to the consumer of your message that you're inexperienced, which may cause them to question your judgment and the quality of your work
If you're referencing management's view, always include your view first	"We expect the company's margins to reach 10% next year, which compares to management's guidance of 9.5%"	It shows you're a thought leader by highlighting how management's views compare with yours
When referring to your view, try to use words that convey research has been done rather than just conjecture: <ul style="list-style-type: none"> <li>Best: "We forecast..."</li> <li>Acceptable: "We expect..." or "We believe..."</li> <li>Poor: "We think...."</li> </ul>	"We forecast the company's earnings to grow 10% next year" is more confident than, "We think the company's earnings will grow 10% next year."	"Think" is used for informal situations more than others. For example, you might say, "I think I'll go out with friends tonight." But you wouldn't say, "I forecast I'll go out with friends tonight."
If working on a team, refer to yourself in your work as "we" and "our" rather than "I" or "my"	"We believe the stock is overvalued because our work suggests consensus EPS is 10% too high next year."	It sounds humbler. You likely haven't arrived at the conclusion solely on your own. At a minimum, you've had training from others to understand how to conduct your job.
Refer to companies and management as "it" rather than "they."	"Management held its quarterly call where it debuted its new outlook"	This is an industry standard
Use bullets or a table where there are multiple numbers in a paragraph	Create a table such as the one below instead of "We are raising our 2017 EPS forecast for NDT from \$1.00 to \$1.20, which compares to consensus at \$1.00, and raising our 2018 estimate from \$1.15 to \$1.30, which compares to consensus of \$1.12."	Easier for others to understand

Year	Former Estimate	New Estimate	Current Consensus
2017	\$1.00	\$1.20	\$1.00
2018	\$1.15	\$1.30	\$1.12

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## Utilize ADViCE™ Template to Maximize Message Delivery Impact

Answer the following questions before proceeding to “Level 1” of the table on page 2

- Do you have a price target for the stock? If so, proceed to the next step. If not, ask how your intended communication will add value to investment professionals seeking to generate alpha.
- Complete the table below to illustrate the unique elements of your price target (based on the FaVeS™ framework):

	Example	Your Stock	Item #
<b>1. Current data</b>			
Current stock price	\$96.00		A
Next 12-month (“NTM”) consensus EPS forecast at present (we call this “Year 1”)	\$5.80		B
Stock's current valuation multiple based on Year 1 EPS (divide row A by row B)	16.6		C
Current market multiple (for the broad market such as the S&P 500)	15.0		D
Stock's current premium or discount to the market multiple	10%		E
<b>2. Change from consensus EPS between Year 1 and Year 2</b>			
NTM consensus in Year 2 (i.e., forecast at beginning of Year 2 for Year 2)	\$6.20		F
Difference between Year 2 and Year 1 consensus forecasts (divide row F by row B)	7%		G
Item #2 above is due to passage of time, while #3 and #4 below are influenced by the analyst			
<b>3. Change due to analyst's financial forecast differing from consensus</b>			
Analyst's NTM EPS forecast in one year (i.e., forecast for Year 2)	\$7.00		H
Premium or discount of analyst's EPS estimate in Year 2 compared to consensus' (divide row H by row F)	13%		J
<b>4. Change due to analyst's future valuation multiple differing from current multiple</b>			
Analyst's estimate of market multiple at beginning of Year 2 (typically keep same as present)	15.0		K
Analyst's estimate of stock's premium or discount to market multiple at beginning of Year 2	10%		L
Valuation multiple used for price target at beginning of Year 2 (multiply row K x (1+row L))	16.6		M
Difference between analyst's future multiple and stock's current multiple (row M ÷ row C)	0%		N
<b>5. Price target</b>			
Change from current price (row O ÷ row A)	21%		P

- Using the letters in the right-most column above, review your answers in rows J (a unique forecast) and N (a unique valuation method/multiple).
  - If either of the figures exceeds your materiality threshold (e.g., 10%), then proceed.
  - If not, ask yourself how your intended communication will add value to investment professionals seeking to generate alpha (if J and N above are in-line with consensus, then why bother communicating your message?).
- If J or N exceeds your materiality threshold:
  - What is the critical factor(s) that drives your out-of-consensus thinking?
  - What research do you have to show that your view is more than a guesstimate?
- What is the catalyst that will cause consensus to come to your view, and when will it likely occur?
- What are your upside and downside scenario forecasts and valuation multiples and the assumptions driving those scenarios?

After you have completed the table and answered the questions above, proceed to the table on pages 2 and 3

# Quick Reference Card (QRC)

## Utilize ADViCE™ Template to Maximize Message Delivery Impact

Element	Wording	Why important	Portion of ADViCE™ framework
<b>Level 1 (email, page 1 of report, slides for brief presentation or voicemail script)</b>			
Brief Conclusion	<p>We are/I am...</p> <ul style="list-style-type: none"> <li>recommending the purchase of...</li> <li>upgrading/downgrading...</li> <li>more bullish/more bearish/concerned towards...</li> <li>raising/lowering our estimate/price target for...</li> <li>reinforcing/revisiting our positive/negative view towards...</li> </ul> <p>[AND] ...[stock name(s) followed by ticker(s)] because...</p> <ul style="list-style-type: none"> <li>our/my work shows/suggests...</li> <li>we/I can now conclude...</li> <li>we/I have discovered...</li> </ul> <p>[AND] ...[the critical factor(s)] is/will likely...</p> <ul style="list-style-type: none"> <li>be better/worse than consensus/we/I expected</li> <li>not in consensus expectations</li> <li>occur sooner/later than consensus/we/I expected</li> </ul>	Allows others to decide if they want to spend more time consuming your message	Conclusion-oriented
Price target math	<p>We/I derive a one-year price target of \$XX, which is XX% above/below yesterday's close by...</p> <p>[Using an absolute or relative valuation multiple] ...applying a X [valuation multiple] multiple on our/my XX.00 [EPS, CFPS, BV] estimate for 20XX [time period]</p> <p>[OR] ...applying an X% premium/discount to the market's multiple on our/my XX.00 [EPS, CFPS, BV] estimate for 20XX [time period]</p> <p>[AND/OR] [Using an intrinsic valuation method such as DCF, EVA, RI, etc.] ...using a [DCF, EVA, RI, etc.] analysis with the following assumptions: [state assumptions for key variables such as long-term revenue growth, changes to margins, the risk-free rate, equity risk premium, cost of equity, WACC, terminal value and years of forecast before terminal value is reached]</p>	Provides the elements of your price target and return	Conclusion-oriented
FaVeS™ element that is being changed (be brief)	<p>Our/my view about [critical factor] compels/allows/motivates us/me to... [here is where you <u>briefly</u> discuss your superior view, as defined by <u>at least one</u> of the following]</p> <p><b>1. [Superior forecast: when your forecast differs materially from consensus]</b></p> <ul style="list-style-type: none"> <li>...raise/lower/initiate coverage with our/my EPS/CFPS/growth rate forecast for this year/next year, putting us/me XX% higher/lower than consensus</li> </ul> <p>[AND/OR]</p> <p><b>2. [Superior valuation: when your valuation assumptions are different than current consensus]</b></p> <ul style="list-style-type: none"> <li>...justify a valuation multiple of XX, which is XX% above/below its current/historical level.</li> </ul> <p>[AND/OR]</p> <ul style="list-style-type: none"> <li>...justify using a [new valuation method not used by consensus] because [explain why this valuation method provides a more accurate price target than the conventional method]</li> </ul>	Briefly highlights your a) superior forecast (vs. consensus), and/or b) superior valuation method/multiple, and/or c) superior read on short-term sentiment toward the stock	Aware (if you are disclosing a change in thinking)  Differentiated

# Quick Reference Card (QRC)

## Utilize ADViCE™ Template to Maximize Message Delivery Impact

Element	Wording	Why important	Portion of ADViCE™ framework
Research to support unique FaVeS™ element	<p>[If there is more than one critical factor driving the story, you may want to communicate this element and the one directly below for each critical factor at a time]</p> <p>Our/my conclusion/above/below-consensus estimate is based on...</p> <ul style="list-style-type: none"> <li>our/my analysis of...</li> <li>discussions with...</li> <li>data we/I collected from...</li> <li>our/my unique modeling of...</li> </ul>	Validates view based on fundamental research and not just a hunch or guesstimate	<p><u>D</u>ifferentiated</p> <p><u>V</u>alidated</p>
Quantify unique FaVeS™ element	<p>Specifically, we/I believe this results in \$XX/XX%...</p> <ul style="list-style-type: none"> <li>higher/lower EPS/CF/BV...</li> <li>faster/slower EPS/CF growth rate... ...for 20XX [time period] than...               <ul style="list-style-type: none"> <li>current consensus expectations**</li> <li>our/my prior estimate</li> </ul> </li> </ul> <p>AND/OR</p> <ul style="list-style-type: none"> <li>expansion/contraction of the stock's relative/absolute valuation multiple from X to Y</li> </ul>	Answers "materiality" question by quantifying how your view differs from consensus	<p><u>D</u>ifferentiated</p> <p><u>C</u>onclusion-oriented</p>
When and why will consensus adopt your view?	We/I believe consensus does not reflect our view because [put your rationale here and avoid repeating your research above (instead focus on why consensus hasn't come around to your way of thinking yet)]. We believe the consensus/market will adopt/understand our/my view by [specific quarter or time of year] due to [catalyst that will drive the market to your way of thinking].	Explains how view of the catalyst(s) differs from the consensus thinking and when it will become clear to the market	<p><u>D</u>ifferentiated</p> <p><u>C</u>onclusion-oriented</p>
What could go wrong?	We/I have a high/low/modest degree of conviction/confidence in our/my call because [explain why your analysis above is valid or uncertain]. Our/my downside scenario results in a stock price of XX (XX% below yesterday's close), and our/my upside scenario is XX (XX% above yesterday's close).	Conveys your conviction level and provides alternative scenarios to demonstrate you're not oblivious to where you could be wrong	<u>A</u> ware
<b>Level 2* (page 2 of report or additional slides for detailed presentation)</b>			
More detailed discussion to support unique FaVeS™ element	<p>Further support to justify your assumption that a critical factor will be (or is) different than consensus expectations</p> <ul style="list-style-type: none"> <li>Without divulging proprietary sources, provide information/data from at least one informed, independent, and reliable source (preferably two or more if it's critical to your call) to validate your out-of-consensus thesis</li> <li>Quantify the materiality of your out-of-consensus view</li> <li>Provide a historical context, but <u>only</u> if it helps to understand the future</li> </ul>	Shows the level of work conducted to draw the out-of-consensus conclusion	<u>V</u> alidated
More detailed quantification of scenarios	<p>Quantification and discussion about the upside/downside price targets, specifically:</p> <ul style="list-style-type: none"> <li>The critical factor(s) impacted by your assumptions</li> <li>Assumptions under each scenario</li> <li>Valuation multiple used for each scenario</li> <li>Future price under each scenario</li> <li>Conviction level for the major assumptions</li> </ul>	Provides more details to understand your way of thinking, which can be more valuable than your rating or price target	<u>A</u> ware

# Quick Reference Card (QRC)

## Utilize ADViCE™ Template to Maximize Message Delivery Impact

\* For the “Level 2” portion above, you may want to organize the information in an alternative manner; by having a discussion around the research you’ve conducted to justify your scenarios, followed by a discussion to quantify valuation and price targets.

\*\* For the “Quantify unique FaVeS™ element” above, it is often much better to show comparisons of new estimates vs. prior estimates or vs. consensus in a table format such as below:

Company	Our Former Estimate for 201X	Our New Estimate for 201X	Change in Our Estimate	Current Consensus for 201X	Our New Estimate vs. Consensus for 201X
ABC	\$1.00	\$1.35	35%	\$1.10	23%
XYZ	\$2.00	\$1.80	-10%	\$2.10	-14%

# Quick Reference Card (QRC)

## Best Practices for Leaving Voicemails

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### Include as many of these elements as possible in voicemails:

- Unless the recipient is a close colleague, identify yourself (you may think a person knows you, but if the recipient is going through 30 voicemails in an inbox, they may not quickly associate your voice with your name)
- Brief purpose of your call
- Action you want the person to take if any
- Best time to call you back
- Best phone number to call (speak slowly enough for the recipient to write down the number)

### Other considerations:

- Try to keep to less than 30 seconds; if you're well scripted, and the message is packed with good content (e.g., "Here are the 5 things I learned at the meeting"), it can go 60 seconds - beyond that, you'll lose your listener
- If your message is too complex for a 60-second voicemail, tell the person that you will be following up with a more detailed e-mail or phone call
- Try to use a landline telephone. If a mobile phone is your only option, find a quiet place with a strong signal.
- Try to avoid saying "today" or "yesterday," and instead say the day of the week - your recipient may not pick up the message for a day or two

### If leaving a stock idea:

- Create a script following the ADViCE™ framework
- Say the company name at the beginning, and mention the ticker throughout (if you only mention a ticker at the beginning, and your listener misses it, they will have no idea which company you're referring to throughout the rest of the message)
- Mention the title of a report or subject line of an e-mail that contains more information
- Encourage the person to call you back if they have questions

An example can be found on the reverse side.

# Quick Reference Card (QRC)

## Best Practices for Leaving Voicemails

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### Example voicemail (sell-side analyst leaving a voicemail for buy-side client)

*Hello, this is Tim Smith of Golden Bull Advisors with thoughts about the Always Best Corporation, ticker ABC, which we upgraded from equal weight to overweight on Tuesday morning. Our one-year price target is \$50, which is 18 percent above Monday night's close. We're at \$4.00 per share for next year, while consensus is at \$3.50. We have three reasons for the upgrade:*

- *First, our survey of 75 of its customers confirms our view that they are upgrading to ABC's new product line much faster than consensus believes.*
- *Second, based on recent interviews with regulator experts, we believe ABC will benefit from legislation likely to be passed later this year.*
- *Third, historically, ABC sees a 50-basis-point improvement to margins each time it opens a more modern facility, something it's doing later this year, and yet consensus is calling for weakening margins next year.*

*Others have concerns about competitors growing into ABC's market, but our recent survey showed very little impact. Even in our downside scenario, we see the stock flat to up 5 percent. There are more details in our report from Tuesday morning titled "Upgrading ABC on Likely Margin Expansion." If you have any questions, please call me at 212-555-1212.*

# Quick Reference Card (QRC)

## Best Practices for Creating E-mails and Text Messages

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- Try to keep e-mails to no more than half a page. If they go any longer, you probably need to have a call or hold a meeting on the topic (if it takes you 20 minutes to draft a lengthy e-mail and 20 minutes for your respondent to interpret the e-mail and reply to you, you could have had a 15-minute call and saved time for both of you).
- E-mail and texts can't convey the tone in which something is written, so don't try to be humorous or lighthearted. Adding "LOL" or a smiley face might help, but if the recipient is not in the right frame of mind, they may not understand your perspective (also, jokes don't always transcend cultural boundaries).
- Don't send e-mails or texts when you're upset. Drafting them often helps to let off steam, but don't press the send button until you've had a night to sleep on it.
- Don't attack people. If you need to be critical, challenge the idea or actions rather than the person, and offer a solution to show that you want to be constructive.
- Don't reply to a previous e-mail or text if you are starting up a new thread of discussion. The subject line won't make sense. Also, you or the recipient may forward the new thread to someone pertinent to the new topic, not realizing the person now has all of the content from your initial exchange.
- If sending to multiple recipients who don't know one another, consider using the BCC function so that you respect the privacy of each recipient's e-mail address
- If you need someone to take action (e.g., respond by a specific date), underline it (many analysts and portfolio managers get 200 to 600 e-mails a day, so they may spend only five seconds scanning your e-mail)
- If you want to make it easy for others to reach you, make sure to include a signature file with as many contact details as possible.
- Check with your IT department to ensure that your e-mails are being backed up and are in a place that is included in your desktop search feature.
- If your e-mail or text pertains to a stock-related message, ensure it contains as much of the ADViCE™ framework as possible (found as another QRC).<sup>1</sup>
- After you have written the e-mail, but right before you press "Send":
  - Attach files referenced in your e-mail
  - Put the relevant recipient(s) name in the To/CC/BCC fields
  - Write the subject line, ensuring it's descriptive so that the recipient will be more motivated to open it
  - Ensure there isn't any content below your e-mail (in terms of a reply from someone) that may be forwarded accidentally

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<sup>1</sup> Contact us at [Info@AnalystSolutions.com](mailto:Info@AnalystSolutions.com) if you do not have access to this QRC

# Quick Reference Card (QRC)

## Best Practices for Writing Research Reports

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- Follow the broad communications guidelines found in these AnalystSolutions QRCs:
  - Utilize ADViCE™ Framework to Maximize Message Delivery Impact
  - Utilize ADViCE™ Template to Maximize Message Delivery Impact
- Showcase key points in the first two pages; most PMs and clients won't read past page two unless it's an in-depth report covering a very important topic (anything past page two should be considered an appendix to support your new insights)
- Write the title and page 1 bullets in a persuasive manner to draw in the reader without sensationalizing or hyping
  - Report titles should include your conclusion and a company's name or ticker if isolated to one company
  - Use bullet points on page 1 to keep your message succinct
- Include at least one supporting fact per paragraph or bullet (if it doesn't include facts or data, ask yourself, "What purpose does it serve?")
- Cite all sources of data or facts critical to the investment thesis (keep proprietary sources anonymous)
- Use exhibits to tell the story; if done correctly, one exhibit can replace three to four paragraphs. Always include exhibits to show:
  - How your estimate has changed, and how it compares to consensus
  - Upside, downside, and base-case scenarios (assumptions, impact on forecast, and implied price targets)
  - Historical valuation trends if investment thesis is based on a change in the valuation method or multiple
- Don't include confusing exhibits or large tables with raw data unless the key numbers are highlighted
- Comments attacking people are slow to die; avoid them at any cost, especially on the sell-side, where messages are widely disseminated
- Include a financial model with a forecast that goes out at least 2 years (preferably 3 or 4)
- Rather than use heading labels such as "Table" or "Graph," use the term "Exhibit," so there is only one type to number. Additionally, use auto-numbering to eliminate the need to manually re-number when exhibits change.

# Quick Reference Card (QRC)

## Best Practices for Presenting to Others

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### Content

1. To ensure your presentation is clear, thorough, and concise, create an outline first (you may want to use PowerPoint's "outline" view found on the "View" ribbon to make it faster to build your presentation)
2. Remember, the presentation isn't to show how much you know but rather to provide the audience what they need to make an investment decision. This philosophy can cut a 30-minute presentation down to 3 minutes.
3. To meet the needs of portfolio managers, equity research presentations should contain specific elements on both a strategic and tactical level.
  - a. Strategically, ensure the outline/presentation includes these components below (not necessarily in this order), which make up our ADViCE™ framework (for examples of each, see [QRC, Utilize ADViCE™ Framework to Maximize Message Delivery Impact](#)):
    - i. **Aware:** Make others aware of alternative scenarios and views, as well as adjustments to your thesis
    - ii. **Differentiated:** Explain how you differ from the consensus thinking about the stock and its catalyst(s)
    - iii. **Validated:** Support your out-of-consensus view with independent research
    - iv. **Conclusion-oriented:** Be conclusive about stocks and their catalysts (the first slide should start with a conclusion)
    - v. **Easy to Consume:** Make it easy for others to consume by avoiding highly-specific jargon, complicated charts, and dense tables of numbers
  - b. Tactically, ensure the outline/presentation includes these components below (preferably in this order and no more than one slide per item below):
    - i. Start with your conclusion, which should be stock-specific (e.g., becoming more/less bullish, upgrading/downgrading, raising/lowering estimates)
    - ii. Show the price target math
    - iii. Brief explanation to highlight your out-of-consensus view, which will be one of the following (FaVeS™ framework\*). If you don't have one of these, you probably have no reason to be presenting:
      1. Your financial forecast; and/or
      2. Valuation multiple/method
    - iv. Research to support the out-of-consensus view mentioned above
    - v. Quantify how much your forecast or valuation differs from consensus (how much upside is due to your out-of-consensus view)
    - vi. When and why will consensus adopt your view?
    - vii. What could go wrong?

# Quick Reference Card (QRC)

## Best Practices for Presenting to Others

When quantifying the unique FaVeS™ element above, it's often much better to show comparisons of new estimates vs. prior estimates or vs. consensus in a table format such as below:

Company	Our Former Estimate for 2018	Our New Estimate for 2018	Change in Our Estimate	Current Consensus for 2018	Our New Estimate vs. Consensus for 2018
ABC	\$1.00	\$1.35	35%	\$1.10	23%
XYZ	\$2.00	\$1.80	-10%	\$2.10	-14%

## Slides

1. Use your firm's template, if one exists. If not, create one that has the same header, footer, and font throughout
2. Do not have more than five lines of text per slide
3. The font size should be easily readable for everyone in the room (or for viewing online) -- at least 14 point, and preferably larger, which shouldn't be a problem if you're following the "5 line max" rule directly above
4. Let pictures and easy-to-read charts tell as much of the story as possible. Do this by breaking up the text with *relevant* images and exhibits. Places to find good stock photos include [iStock](#), [Shutterstock.com](#), and [Adobe Stock](#). With this said, use only graphics that help convey or reinforce your message (e.g., background clipart, irrelevant images, etc.)
5. Include video if it's critical for conveying your point, but understand it adds technical complexity, which raises the odds of a technical glitch
6. If others in your firm will likely find value in the slides, save the presentation on a company network
7. Avoid the mistakes mentioned in "[Death by PowerPoint](#)" (if the link breaks, search the web for "Death by PowerPoint" by Alexei Kapterev)
8. If portions of the presentation will likely be made again and it relies on market data (such as a sell-side marketing deck), set it up to automatically link to a market data feed. This can be a big time saver but requires the slides to be manually reviewed before each presentation to ensure the data updated correctly and is consistent with the text

## Delivery

1. When presenting, keep in mind that the human mind can read much faster than the typical person can speak. Therefore, by the time you get halfway through reading the slide aloud, everyone else is finished, allowing their minds time to wander. In order to avoid this problem:
  - a. Rather than read slides verbatim, use them to accentuate or support the points where you provide greater elaboration or an anecdote
  - b. Don't use your slides as a lazy man's speaker notes. Use PowerPoint's "presenter" view or Keynote's "presenter" display so you can see your notes while the audience sees your slides (search YouTube for videos that provide a brief tutorial on how to use)

# Quick Reference Card (QRC)

## Best Practices for Presenting to Others

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- c. Practice, practice, practice, so you're not reading your notes verbatim, which tends to be slow and often lowers the confidence level you convey to your audience. The more important the presentation, the more you should practice
2. Get to the meeting room at least 15 minutes early and ensure everything is working correctly (at least 20% of the time, when I'm presenting, I discover something that needs to be adjusted in the room). Use a microphone if it's available (nobody will complain if you use one, but they may not understand if you don't)
3. Speak at an appropriate speed and volume:
  - a. In general, speak at the maximum speed that will be understood by most of the participants (slow down if your audience is made up of individuals who do not speak your language as proficiently as you)
  - b. Slow down to make important points, and speed up to convey enthusiasm
  - c. If in a larger group, make sure the people in the back of the room can hear you well
  - d. Lower the tone of your voice to demonstrate confidence
4. Convey the correct body language
  - a. If in person, convey the correct body language (research has shown that 65% to 93% of the message delivered can be nonverbal...which is why practice is so important)
  - b. The objective is to appear in control (relaxed and confident)
    - i. Be energetic
    - ii. Make good eye contact
    - iii. Maintain good posture
    - iv. Don't cross your hands or legs
    - v. Smile, if appropriate
    - vi. Stand up if presenting to more than five people

# Quick Reference Card (QRC)

## Best Practices for Slide Presentations

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1. Before launching your slide application (e.g., PowerPoint, Keynote, etc.) to create your first slide, create an outline of the content based on the ADViCE™ framework found in these QRCs:
  - Utilize ADViCE™ Framework to Maximize Message Delivery Impact
  - Utilize ADViCE™ Template to Maximize Message Delivery Impact
  - 10 Questions to Ask Before Communicating a Stock Call
2. Start with your firm's template, if one exists. If not, create one with the same header, footer, and font throughout, including it for all exhibits.
3. If the presentation will likely be made again (or slides will likely be reused) and it relies on market data, set it up to automatically link to a market data feed. This can be a big time saver but requires the slides to be manually reviewed before each presentation to ensure the data updated correctly and is consistent with the text.
4. Avoid having more than five lines of text per slide.
5. The font size should be easily readable for everyone in the room (or for viewing online) -- at least 14 point, and preferably larger, which shouldn't be a problem if you're following the rule directly above.
6. Let pictures tell as much of the story as possible. Do this by breaking up the text with *relevant* exhibits. Places to find good stock photos include iStockphoto.com and Shutterstock.com.
7. Avoid graphics that do not help convey or reinforce your message (e.g., clipart, irrelevant images).
8. Include video if it's critical for conveying your point, but understand that it adds technical complexity, which raises the odds of a technical glitch.
9. If others in your firm will likely find value in the slides, save the presentation on a company network.
10. When presenting, keep in mind that the human mind can read much faster than the typical person can speak. By the time you get halfway through reading the slide aloud, everyone else is finished, allowing their minds time to wander. In order to avoid this problem:
  - **Don't read slides verbatim.** Instead, use the slides to accentuate or support the points where you provide greater elaboration or an anecdote.
  - Don't use your slides as a lazy man's speaker notes. PowerPoint and Keynote offer "presenter" note screens, where the author can read notes for each slide while presenting, but the audience cannot see them.
11. Search the web for the following resources:
  - Alexei Kapterev, "Death by PowerPoint"
  - Videos showing how to use PowerPoint presenter view and Keynote presenter display

# Quick Reference Card (QRC)

## Checklist for Communicating Stock Calls Successfully

Before communicating a stock call (presentation, report, email, conversation, etc.), first determine how it rates using the checklist below. Try to strive to get a score of 32 or higher. Alternatively, put your thoughts in the right most column.

	1=Strongly Disagree 5=Strongly Agree
1. Does the communication focus primarily on something not widely known by the market? (if not, why is this being communicated?)	
2. Does the communication focus on the future? (If it is discussing quarterly results or other historical data is the focus on how this information helps in forecasting the <i>future</i> )?	
3. Does the communication begin with a brief conclusion that explains: <ol style="list-style-type: none"> <li>If the analyst is positive/negative towards the stock?; and</li> <li>How the analyst's forward view is changing or being reinforced with this communications?</li> </ol>	
<b>Evaluate only one of the following:</b> <ol style="list-style-type: none"> <li>If the communication is <i>not about a recommended stock</i>, will it add significant forward-looking insights for those who have interest in the stock?</li> <li>If the communication is <i>about a recommended stock</i>, does it include:               <ol style="list-style-type: none"> <li>A future price target; and</li> <li>How the analyst differs from consensus in at least one of these areas (for the future price target):                   <ol style="list-style-type: none"> <li>Financial forecast</li> <li>Valuation multiple</li> <li>Valuation method</li> </ol> </li> </ol> </li> </ol>	
<b>Evaluate one of the following (unless the analyst differs in both areas):</b> <ol style="list-style-type: none"> <li>If the forecast differs from consensus:               <ol style="list-style-type: none"> <li>Does the research focus on why consensus is likely wrong, other than supplying just company management's view?</li> <li>Is there a financial model identifying how the analyst differs from consensus?</li> </ol> </li> <li>If valuation multiple/method differs from consensus, does the research focus on why the market is likely to change its view between now and the price target date?</li> </ol>	
8. Does the communications identify the catalyst (and its timing) that will need to occur to get consensus to change its current forecast or valuation multiple/method?	
9. Does the communication include an upside, downside and base-case scenarios for the assumptions surrounding the area(s) that differs from consensus? <ol style="list-style-type: none"> <li>Does it include alternative views and why they are less likely to occur than the analyst's view</li> <li>Does the analyst explain the most significant risks to the call, beyond the macro?</li> </ol>	
10. Would the communication be easy to understand for a generalist analyst or portfolio manager?	

When it comes to communicating as an analyst, focus on the highest and best use of your time, namely in those areas where you have a differentiated view that helps others generate alpha. You can probably justify in your mind why there's value in writing up an in-line quarterly result, but is that the highest and best use of your time?

Not all communications need to be about stocks that have at 25% or more upside, but analysts shouldn't spend time discussing past or present information or events unless the effort will help to glean significant insights about the *future movement of a stock*.

Recall, we strive to be stock analysts, not company experts or industry consultants.

Explore these concepts in our workshop: [Communicate Unique Stock Calls Successfully So Others Take Action](#)

# Quick Reference Card (QRC)

## 10 Questions to Ask Before Communicating a Stock Call\*

### Answering these questions helps fulfill the ADViCE™<sup>1</sup> quality framework

(Aware, Differentiated, Validated, Conclusion-oriented, and Easy-to-Consume):

1. Does your communication begin with your upgrade/downgrade, becoming more/less positive, or returning with support for a current recommendation? (**C**onclusion-oriented). If none of the above, ask how your communication will help others generate alpha.
2. How much does your price target differ from the current stock price? (**C**onclusion-oriented). If the difference is immaterial, ask how your communication will help others generate alpha.
3. How do the two elements of your price target differ from consensus (**D**ifferentiated), specifically:
  - Do you have a superior forecast vs. consensus?; and/or
  - Do you have a superior future valuation multiple/method vs. the stock's current consensus-based valuation multiple/method?
4. If you have a superior forecast vs. consensus, which critical factor(s) is consensus wrong about? (**D**ifferentiated)
5. If you have a superior valuation multiple/method, why is the market likely to change its view between now and your price target? (**D**ifferentiated)
6. How have you validated your superior forecast and/or superior valuation multiple/method with more than one independent and informed source (refraining from relying on company management)? (**V**alidated)
7. Why does the market not currently hold your view? (**A**ware)
  - What catalyst will need to occur to get the market to adopt your superior forecast or valuation multiple/method?; and
  - When will it occur?
8. Have you quantified the upside, downside, and base-case scenarios for the assumptions surrounding the 1-4 critical factors where you differ from consensus and your conviction level around your assumptions? (**A**ware)
9. Have you identified where you could be wrong? (**A**ware)
10. Is your communication easy to digest in terms of quickly conveying the points above while being concise and not overusing jargon? (**E**asy-to-consume)

\* You may not need to answer all questions above for every stock call message, but consider answering as many as possible if relevant to the call.

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<sup>1</sup> Contact us at [Info@AnalystSolutions.com](mailto:Info@AnalystSolutions.com) if you do not have access to the ADViCE™ QRC