

Chapter 1

Do You Have What It Takes to Be a Successful Analyst?

This best practice isn't intended to tell analysts if they are guaranteed to be a success, but rather to make them more aware of their strengths and areas for development. I've recently built an assessment tool for research analysts in conjunction with a consulting firm that specializes in this area. It's still a bit early to draw sweeping conclusions, but my preliminary findings help show how experienced buy-side and sell-side analysts differ from novices and how the degree of experience for sell-side analysts impacts their perspective of the job. *Spoiler alert: Don't read this section if you intend to take the online assessment (www.AnalystSolutions.com/assessment), as it will undoubtedly bias your responses.*

As part of the ongoing assessment development, I survey successful, experienced buy-side and sell-side analysts asking them to respond to questions that ultimately help me understand their perspectives about qualities and skills necessary to be successful as an analyst. As the control group, I'm surveying individuals new to the industry or starting a career in finance. Based on my work to this point, I can draw the following conclusions, ranked in order of greatest statistical significance.

When compared with novices, senior analysts:

- Thoroughly understand inputs to their company's production or creation of their service and the primary markets to which the company sells.
- When recommending a stock, place more focus on the factors where their view is distinctly different than consensus.
- Are more comfortable articulating the strategies of all the companies they follow and how they differ from their competitors.
- When their price target materially differs from the current price, they know where their assumptions differ from the market's.
- Fully understand the peak and trough valuation levels for their companies going back at least 10 years.
- Are more realistic in appreciating that even the best stock pickers don't have 100 percent of the information necessary to make a stock call.

When compared with novices, senior analysts self-assessed themselves to be:

- Less likely to have a calm disposition.
- Less willing to find common ground in times of conflict.
- Not as good at developing and maintaining relationships.
- Less likely to encourage feedback from others.

I've also looked at just the senior analyst population to identify relationships between years of experience and responses to each question. For both buy-side and sell-side analysts, as experience increases, so does agreement with the following statement: "When recommending

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