

# Chapter 15

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## Identify the Relevant Microsoft Excel Features for Equity Research Analysts

If left on a deserted island and asked to analyze stocks with only one computer application, most analysts would request Microsoft Excel. It's a critical element of every analyst's job and yet many don't get proper training in this area. If you're like most, you probably picked up some Excel in college and possibly more during on-the-job training. Just like learning a new language, it takes months or even years of using the application before an analyst can say that it's been mastered. *But don't fall into the common trap of assuming that just because you know the basics, you're proficient enough to succeed.* Given that Excel is such a critical element of the job, one that can leverage an analyst's intelligence, insight, and time, it's imperative to master more than just the basics. Excel has a massive number of capabilities, and therefore our discussion here focuses on the most relevant features an equity research analyst should learn.

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I would like to thank Bob Jones of Murray Hill Associates for his contribution to the best practices that utilize Excel.

Many analysts believe that they only need to know basic Excel features, such as navigating, building formulas, and editing. There is a smaller population of analysts who understand the importance of knowing Excel's more advanced features. *Simply knowing a feature exists doesn't lead to mastery, especially for the more complex features.* Some features can be used in more than one manner, which can lead to a wrong answer if misapplied.

How much Excel should a proficient equity analyst know? The answer is somewhat dependent on the analyst's role. Some analysts will be just fine learning only the first category below, while others with more job responsibilities will need to learn all three:

- Building and using models: The process of building a financial model's structure, formulas, formats, etc., and adjusting the mechanics of how the model works.
- Analyzing and summarizing data to support model assumptions: The process of analyzing, compiling, summarizing, and testing data in order to produce the best input for the model.
- Reporting information from models: Using the output from a financial model to create a graph or table for use in another form such as a document or presentation.

For analysts to assess their Excel capabilities and potential training needs, they should ask themselves the following questions based on the list of the Excel features *relevant to their role* shown in Exhibit 15.1:

1. Can I accurately *explain* each feature's capabilities?
2. Can I consistently *implement* each feature in an error-free manner?
3. Can I *identify* the best feature to use in solving typical modeling challenges?

If the answer is generally yes to all of these questions for the 42 features listed in Exhibit 15.1, especially those categorized as "Critical for Success,"

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