

Chapter 23

Create Content That Has Value

This step is all about the things analysts should do *before* preparing to communicate their research efforts with colleagues or clients. When analysts fail to create high-quality content in this first step, it inevitably prevents them from conveying a great message, regardless of how much time they spend on steps 2 and 3. With the assembly-line analogy, consider that a small problem with the quality of parts going into the product can mushroom into major problems later in the process.

Content matters—a lot. The more sophisticated the consumers of your message, the easier it is for them to identify great content among the masses of mediocrity. At the risk of stating the obvious, if you're on the buy-side, your primary goal is to *generate alpha*, and if on the sell-side, it's to *help clients generate alpha*. As such, the overwhelming preponderance of your communications should be in these areas, whether it be an e-mail to a portfolio manager or leaving a voicemail for a client. I state the obvious here, because so much of the work done by the sell-side, and to a lesser extent by the buy-side, has no connection to picking a stock. Bill Greene, a Morgan Stanley analyst with more than 12 years of sell-side experience, reinforces this point with, “PMs don't want to hear noise. They want an analyst to build a theme around their

industry or a stock and then come back with proprietary research that supports or refutes the theme.”

When I came across analysts who struggled to be good stock pickers, they often lost sight of their role as *stock* analysts and, over time, morphed into *company* or *sector* analysts. There’s nothing wrong with company and sector analysts, but they are of less value to their firms than stock analysts, especially for buy-side firms. This is one contributor to the plethora of mediocre research out there: *Company* and *sector* analysts are compelled to spew a regular stream of facts and company-sponsored propaganda, all in an effort to feel like they’re producing something.

Analysts can make certain the content of their communication is of high value by ensuring it meets the five elements of the ENTER™ framework, regardless of the medium used to communicate the message.* (The framework is further discussed in Exhibit 23.1.)

- Expectational: Provides insights about the *future*, especially catalysts likely to move the market toward the analyst’s out-of-consensus view.
- Novel: Answers the question, “What’s new or unique that’s not already known by the broader market?”
- Thorough: Ensures that the view is backed by sound research, rather than just a hunch.
- Examinable: Provides decision makers with the information used to make conclusions.
- Revealing: Exposes risks, and acknowledges a conviction level.

* During my role as global director of product and development for Morgan Stanley’s Research Department, I sought to create a universal framework that analysts could use to assess the quality of their research. I would like to thank Vlad Jenkins and Steve Lipmann for their creative talent in devising the first version of this effort, which we called the “ROI Quality” framework (rigorous, open, and insightful).

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