1. First week of coverage

Appendix B. The first week produces no numbers for publication: a file, three questions and a rough model, in that order.

Company		**Ticker**	
Start date		**Share price on day one**	

Item	Done	Evidence or figure
1. Read the latest annual report front to back, with the segment note and the non-GAAP reconciliation.		
2. Read the last four quarterly releases; write what the company guided to and what it delivered.		
3. Read the same four call transcripts; list every question an analyst asked twice.		
4. Pull the consensus broker by broker: estimate, date, revenue line, not only the mean.		
5. Read the other brokers' latest notes; mark the ones that predate the latest annual results.		
6. Write each segment in one line: what is sold, to whom, through which channel.		
7. Build three years of revenue, growth, price, volume and margin by segment before forecasting.		
8. Write the three questions the history raises.		
9. Record the peer set, each peer's multiples and the date they were taken.		
10. Ask compliance which firm policies apply to contact with the company and its IR team.		
11. Record the share price on the day work starts (Halvorsen: $86.20).		

Segment	What is sold	To whom	Channel	Mix / profit share
Flow Control	Valves, actuators, pumps	Plants, pipelines	Distributors and projects	50.9% / 37.8%
Meas. & Analytics	Meters and analyzers	Plants, water operators, processors	Sold with software	29.1% / 34.9%
Aftermarket	Parts, repair, calibration, contracts	Owners of installed equipment	On the installed base	20.0% / 27.4%

The three questions the history raises (Halvorsen: FC volume near 1% a year; restructuring in consecutive years; how far the MA margin can go)
1.
2.
3.

2. Building the model

Appendix B. The order of the income statement, then the cash flow. A skipped step shows later as a missing cent of EPS or a net debt that does not roll.

Company		**Model version**	
Built by		**Reviewed by**	

Item	Done	Evidence or figure
1. Inputs in one place, outputs computed, nothing typed over a formula.		
2. Revenue by segment as volume times price, the two drivers visible separately.		
3. Historical volume derived from reported growth and disclosed price.		
4. Margins by segment; corporate costs in dollars.		
5. Incremental margins for each segment and the total, checked for sense (25.0, 26.3, 25.2%).		
6. Adjusted EBIT, then amortization and restructuring below it, to reported operating income.		
7. Interest on opening net debt: no circular reference.		
8. Tax at a stated effective rate, written on the page.		
9. Diluted shares consistent with the buyback assumption.		
10. Reported and adjusted EPS both computed; the bridge reconciles before rounding ($3.124 + $0.526 + $0.305 = $3.955).		
11. Free cash flow on one stated definition; conversion against adjusted net income.		
12. Net debt rolled forward from opening debt, FCF, dividends and buybacks; leverage each year.		
13. Every historical figure ties to the reported accounts.		
14. One sensitivity per major driver, each moving one input only.		
15. A bear case built from drivers that could happen, not a haircut to EPS.		
16. A checks area comparing printed figures with live formulas, gaps flagged.		

Which numbers are wired and which are typed (Chapter 5)	Typed (input)	Wired (formula)
Segment margins		
Diluted share count (versus the buyback in the cash flow)		
Price: does it earn the segment margin or fall to profit?		
Corporate costs		
Working capital and capex ratios		

3. The consensus worksheet

Chapter 10. Write the stale rule before looking at the numbers; measure the distance three ways; bridge the gap line by line.

Company		**Date pulled**	
Stale if older than (days)		**Analyst**	

Broker	FY1 EPS	FY2 EPS	FY1 revenue	Age (days)	Stale?	Kept FY2
A (example)	4.35	4.87	2,318	12		

Distance	Halvorsen FY2027E	Your case
Raw mean (all brokers)	$4.81	
Cleaned mean (stale removed)	$4.89 (D and G removed)	
Cleaned standard deviation (population)	$0.120	
Your estimate	$5.06	
Distance in percent	+3.5%	
Distance in standard deviations	1.43	
Rank among cleaned estimates plus yours	2nd of 8	

Bridge, one line at a time, fixed order	Halvorsen $/share	Your case
Reconstructed consensus	4.870	
Growth-segment revenue	+0.071	
Growth-segment margin	+0.075	
Largest segment revenue	+0.022	
Largest segment margin	+0.017	
Third segment, revenue and margin	-0.002	
Corporate, interest, shares	+0.005	
Your estimate	5.058	

4. Before the initiation is published

Appendix B and Chapters 14 to 16. Every figure on the first page must survive a client with the model open.

Company		**Rating**	
Target		**Price at publication**	

Item	Done	Evidence or figure
Estimates compared with the cleaned consensus; stale estimates named and excluded.		
The gap explained by a bridge by line; the largest lines are the ones the note argues.		
The target multiple justified from peers by segment, not asserted.		
At least one other method run; the gap between methods written up as a question with an answer.		
The DCF shows the terminal share of value and a reverse DCF at the share price.		
Expected total return computed on the firm's grid; the rating matches it.		
The price at which the rating would change computed and written down.		
The bear case in the risks section, with its value and its return.		
Ratings distribution disclosure and analyst certification in the note.		
Compliance has reviewed the note; the sign-off is on file.		
The model sent to clients is the one that produced the note, checks passing.		

Method	Halvorsen	Key judgment	Your case	Assumption that separates it from the target
EV/EBITDA	$91.08	12.5x FY2027E EBITDA		
Sum of the parts	$96.43	11x, 18x, 16x; corporate at 12x		
P/E (primary)	$101.16	20x FY2027E adjusted EPS		
DCF, rolled forward	$102.33	WACC 7.81%, g 3.0%		

Rating arithmetic	Halvorsen	Your case
Expected total return = (target + dividend) / price - 1	(101 + 1.10) / 86.20 - 1 = 18.4%	
Buy line = (target + dividend) / 1.15	$88.78	
Sell line = (target + dividend) / 0.95	$107.47	
Bear case value and return	$69.38, -19.5%	

5. The earnings-day sequence and variance table

Appendix B and Chapter 17. Built before the numbers arrive; the actual column is empty until 6:55 am.

Company		**Quarter**	
Release time		**Price the evening before**	

Stage	Steps	Time	Done
Preview	Quarter cut from the annual model with stated seasonality; estimate against the quarter consensus; the two or three lines that decide it; rating recomputed at last night's price.		
Release	Read once without writing; fill the variance table by segment; split price from volume; old and new guidance with midpoints; three-line flash to the desk.		
Call	No more than two questions, each aimed at a line of the table; answers recorded as said; what management declined to answer.		
Model update	Change only drivers the quarter gives evidence on, reason beside each; revisions by year; gap to the new midpoint; target, return and rating; split the price move.		
Note	First three sentences: what happened, what changed, the rating; the reason in figures; compliance before publication; callbacks after.		

Line	Estimate	Actual	Difference	Revenue effect $/sh	Margin effect $/sh
Segment 1 revenue / margin					
Segment 2 revenue / margin					
Segment 3 revenue / margin					
Corporate, interest, shares					
Adjusted EBIT					
Adjusted EPS (unrounded)					
Reported EPS					
Restructuring					
Guidance range and midpoint					

Revenue effect = revenue difference at the estimated margin; margin effect = margin difference on actual revenue; both after tax and over estimated shares. Halvorsen Q1: estimate $0.929, actual $0.943; FC margin -0.022, MA margin +0.030.

6. Before changing a rating

Appendix B and Chapters 15 and 18. Compute, do not estimate. Write the answer to each line before the note goes to compliance.

Company		**Current rating and target**	
Price		**Days outside the band**	

Question	Done	Answer
Is the rating outside its band at the current price and current target?		
How long has it been outside? (firm rule: 10 trading days in the Halvorsen case)		
Has anything in the estimates changed, or only the price?		
To keep the rating by raising the target, what multiple would it need (Halvorsen Q1: 20.8x)?		
What evidence supports that multiple other than the share price?		
Would the analyst have set that multiple at initiation with the same facts?		
Is the new rating consistent with the bear case and scenario values?		
Has the pending change been kept from everyone who should not know it?		
Is the reason written in one paragraph a client could check against the model?		

Grid after the event	Halvorsen after Q1	Your case
New estimate x unchanged multiple = target	20 x $5.104 = $102.08, $102	
Expected total return at the close	(102 + 1.10) / 93.25 - 1 = 10.6%	
Hold line = (target + dividend) / 1.15	$89.65	
Target needed to keep the Buy	$106.14 = 20.8x	
Price move: revision / re-rating	$0.80 / $4.15 of $4.95	

7. The recommendation log

Appendix B and Chapter 20. Every rule fixed before the outcome: start price, benchmark, total return with dividends, a Hold right within 5 points.

Analyst		**Benchmark family**	
Period		**Reviewed on**	

Stock	Rating	Date	Start price	Benchmark	End price	Dividends	Total return	Bench. return	Excess	Right?
Stock 2	Buy		118.00	Sector	112.40	2.10	-3.0%	+6.2%	-9.2%	No

Summary	Halvorsen analyst	Yours
Hit rate, with the sample size	8 of 12	
Buys right / Sells right / Holds right	4 of 7 / 2 of 2 / 2 of 3	
Average excess return: Buys / Sells / Holds	+3.0% / -7.3% / +4.0%	
Long the Buys, short the Sells, equal size	35.9 points over 9 positions	
One line on what the model missed, for each wrong call		