Company Analysis in One Hour

Idea In Short

Learn a repeatable one-hour drill before Monday's kickoff. Pull financial ratios from a screener, read the investor relations deck skeptically, run the DuPont formula on return on equity and finish with qualitative sources. Verify who the real competitors are before comparing anyone's numbers.

The Friday Afternoon Scenario

Consultants must be quick studies. Imagine learning on Friday afternoon that a new project starts Monday. You owe yourself two or three hours getting smart on the industry and the company before the kickoff. To make the method concrete, take a random company and walk through the drill. Choosing from an alphabetical list of tickers produces Agilent Technologies, a name many know only as the electronics testing division spun off from Hewlett-Packard years ago. Personal knowledge stops there, which makes it a fair test. The steps below form a repeatable one-hour routine.

Start With the Screener

Step one, open a free screener such as Finviz and pull the basic financial ratios.1 The Agilent page immediately generates observations and hypotheses. The industry reads medical laboratories and research, not the electronics business an outsider expects. Sales of 4 billion dollars produce profits of 720 million dollars, a respectable result. A market capitalization of 20 billion dollars keeps the company within range of acquirers, since a billion is not what it used to be. A dividend below 1 percent hints at a company still funding growth. Headcount of 13,800 implies roughly 290,000 dollars of revenue per employee. Debt to equity of 0.47 signals modest leverage. A price-to-earnings (P/E) ratio of 28 looks rich for earnings per share [EPS] growing near 10 percent. A net profit margin of 4 percent disappoints, roughly hospital territory. A beta of 1.32 means more volatility than the market, unwelcome when the year-to-date return is negative. First cut: smallish company, low

margin, not obviously promising. The point is not final judgment. The point is a working set of questions in ten minutes.

Interrogate the Investor Story

Step two, visit the investor relations website and read the latest presentations, because this is the story management tells shareholders. Agilent's conference deck showed revenue growing, with caveats worth highlighting. What exactly is core revenue growth, and what do all the footnotes conceal? Skepticism paid off quickly. An independent check on Morningstar showed a strikingly different revenue picture, including a huge drop from 2014 to 2015.2 A fast Wikipedia search solved the mystery. The company split in two during 2015, so any discussion of Agilent from before then covers the combined company. Two listed firms emerged: Agilent, the life sciences and diagnostics business, and Keysight, the electronics test and measurement business. Corporate history checks like this prevent embarrassing errors in front of clients.

The same deck revealed capital deployment choices. Agilent returned 1.3 billion dollars through dividends and share repurchases, which may indicate maturing growth. It also spent more than 500 million dollars on acquisitions across three years, raising a question for an industry expert: wise purchases or growth chased at any cost? Segment tables rounded out the picture. Consultants should love these tables because they show how management sees the market and where it intends to grow, organically and through mergers and acquisitions (M&A). This is the moment to call a friend in the laboratory industry for a professional opinion.

Run the DuPont Decomposition

Step three, apply the DuPont formula, a tool worth memorizing and using frequently.3 Return on equity [ROE] equals profit margin times asset turnover times leverage, or equivalently return on assets [ROA] times leverage. For the two post-spin-off companies, ROE lands in a healthy 14 to 23 percent range. The decomposition adds texture. Net margins show a profitable business. Asset turnover runs slow, and a comparison with Quest Diagnostics shows a similar pace. Keysight achieves higher asset efficiency while carrying substantially more leverage. One caution belongs in every analyst's head: high ROE is not always good news, since leverage and accounting choices can manufacture it.

Add the Qualitative Layer

Step four, move from hard numbers to soft signals. Watch YouTube videos of the management team. Read Glassdoor reviews to sense the culture. Scan job openings on Indeed to see where the company is investing. Browse Quora for practitioner questions and answers. The qualitative pass corrected a major analytical error in this case. After a few management videos, it became clear that Quest Diagnostics and LabCorp are Agilent's customers, not competitors. That realization changes every benchmarking choice made earlier. A Porter's Five Forces industry view built from the 10-K would have caught this sooner, and a simple text search of the filing lists the true competitors: Danaher, PerkinElmer, Shimadzu and Thermo Fisher Scientific.

Common Mistakes to Avoid

Three failure patterns undermine rapid company research. The first is anchoring on the earliest number encountered, such as dismissing a company over one weak margin before understanding its business model. Ratios open questions rather than settle them. The second is trusting management's framing without a control source, since every investor deck selects its most flattering chart. Independent data services exist precisely to break that monopoly on narrative. The third is benchmarking against the wrong peer set, the trap the Agilent exercise exposed when apparent competitors turned out to be customers. Each mistake costs little to avoid and much to commit, especially when a client's first impression of you rides on the kickoff meeting. Write down your assumptions during the hour and label them as assumptions. The habit keeps early hypotheses from hardening into false certainty.

The Discipline Behind the Hour

The sequence matters more than any single source. Ratios generate hypotheses, investor materials supply the narrative, independent data tests the narrative, DuPont explains the economics and qualitative sources expose what numbers hide. One hour of structured study will not make anyone an industry expert. It will let a consultant walk into Monday's kickoff with informed questions, a working mental model and the humility to know which assumptions still need checking. That combination beats a weekend of unstructured reading every time.

- 1Finviz

- 2Morningstar
- 3DuPont Analysis

Summary

One disciplined hour turns an unfamiliar company into a working mental model. Screen the ratios, challenge the investor story, decompose return on equity and add qualitative texture. Check corporate history and true competitors before drawing conclusions. Speed of study is a consulting superpower.