

RECRUITING & INTERVIEW PREPARATION

Equity Research Recruiting & Interview Playbook

Build the application. Form a view. Defend the research.

Role selection & applications

Forecasts & valuation

Original research cases

Explained technical questions

Stock pitches & earnings updates

Interview simulations & solutions

Contents

01. Start with a view you can defend
02. Choose a research seat deliberately
03. Build application evidence without inventing experience
04. Network around a specific research question
05. Build a source trail before a model
06. Turn conflicting disclosures into a forecast decision
07. Read the business through its operating drivers
08. Accounting diagnostic: earnings are not cash
09. Alder Components: construct the forecast
10. Alder valuation: reconcile operating value to equity
11. Alder downside: stress the mechanism
12. Alder: a complete original research note
13. Build the stock pitch around a disagreement
14. Handle pushback without defending every assumption
15. Earnings update: change the model before the headline
16. Second case: a cheaper multiple can hide weaker economics
17. Subscription research: reconcile contracts, revenue and cash
18. Retail research: follow the store cohorts
19. Independent case: Northstar Stores candidate brief
20. Northstar: the earnings-release update
21. Northstar solution: expansion is not self-funding
22. Northstar update solution: reconcile the competing cash effects
23. Technical interview questions with explained answers
24. First-round simulation and review
25. Final-round simulation: defend and revise
26. A preparation plan that produces evidence
27. Work with the practice files
28. Source notes, limitations and next steps

Start with a view you can defend

An equity research interview asks you to make a judgment with incomplete evidence and explain what would change it. Knowing a valuation formula is useful. Knowing which assumption drives the valuation, where that assumption came from and why another investor might disagree is more useful.

This playbook connects the recruiting process to the work you can demonstrate: selecting a coverage team, presenting credible application evidence, building a forecast, forming a recommendation, writing an earnings update and defending a stock pitch. It is written for students and early-career candidates pursuing fundamental public-equity research. You should already understand the three financial statements and basic time value of money. If you cannot explain why rising receivables can reduce cash flow despite rising profit, complete the accounting diagnostic before the valuation cases.

The strongest preparation output is a small research file you can reopen and explain. Keep a dated source log, an assumption-driven model, a one-page thesis, a bear case and an error log. A reader should be able to trace a statement in your pitch back to a calculation or a source. Do not substitute the length of your report for that traceability.

What this guide does and does not cover

The focus is fundamental sell-side and buy-side equity research preparation. It is not a quantitative research, execution trading, investment banking or professional licensing course. It does not provide live coaching, introductions to employers, confidential interview questions or investment recommendations. Candidate examples are fictional; adapt their reasoning only where it matches work you actually performed.

All companies, financial statements, valuation inputs and interview simulations in the exercises are fictional. Figures are USD millions unless a table says otherwise. Multiples, discount rates, tax rates and holding periods are teaching assumptions, not current market benchmarks. Suggested study schedules and scoring rubrics are editorial tools, not measured employer selection criteria. Hiring processes and eligibility vary; verify the actual requisition and recruiter instructions.

The research readiness diagnostic

Give yourself one point only when you can answer aloud without reading notes, then support the answer on paper.

TASK	EVIDENCE OF READINESS
Explain the business	Identify who pays, what drives volume/price and why a customer can leave.
Trace earnings to cash	Reconcile profit to cash and explain at least one working-capital movement.
Build the forecast	Change a business driver without typing over the forecast output.
Value the equity	Reconcile operating value, net debt and diluted shares.
Defend a difference	Distinguish a documented market expectation from your own assumption.
Update a view	Identify an observation that would change a forecast, multiple or recommendation.

A score is a starting point for practice, not a recruiting probability. If cash flow and valuation are weak, begin with Alder. If those are strong but your thesis is generic, begin with the pitch-defense chapter. If your work is good but difficult to verify, fix your application evidence and source log before adding another company.

02

Choose a research seat deliberately

Start with the output the team produces. A sell-side sector team may maintain earnings models, publish research and communicate with institutional clients. A buy-side analyst's work may feed a portfolio manager's allocation decisions. Neither label guarantees a particular process, investment horizon, sector, seniority or amount of client contact. Read the job description and recent public work from the actual team.

DIMENSION	QUESTIONS TO RESOLVE	PREPARATION IMPLICATION
Mandate	Which securities, sectors and geographies? Long-only, long/short or another strategy?	Choose a relevant practice company and avoid claiming expertise outside it.
Output	Earnings notes, initiation reports, models, client calls or internal memos?	Prepare an example of the stated work.
Horizon	Quarterly forecast, multi-year business value, event or another focus?	Make your thesis horizon and catalysts explicit.
Entry requirements	Degree, work authorization, language, experience and location?	Check eligibility before extensive preparation.
Role level	Support a senior analyst or independently own coverage?	Match claims to responsibility rather than title alone.

Create a role card for each application: employer and team; requisition URL; date checked; eligibility; three responsibilities; your supporting evidence; missing evidence; next action. A spreadsheet with thirty firm logos and no next actions is not a recruiting process.

Routes from different backgrounds

Students can show a well-documented independent research project, investment-club work or a relevant internship, clearly labeled. Accountants can connect statement analysis to operating drivers and forward estimates. Banking candidates can explain where transaction diligence informs a public-market view while respecting confidentiality. Industry specialists can bring product and customer understanding but still need accounting and valuation discipline. These are possible evidence bridges, not assurances that employers accept interchangeable backgrounds.

Compare two opportunities using the responsibilities, feedback available, sector fit and constraints that matter to you. Do not assume that a recognizable firm name outweighs an unsuitable seat. Ask what a junior analyst is expected to deliver during an earnings cycle, who reviews the model and how research disagreements are resolved. The answers reveal how to prepare and whether the role is a good fit.

Build application evidence without inventing experience

A useful resume bullet contains an output, the work behind it and a result you can substantiate. A result can be a completed analysis or an identified sensitivity; it does not need to be investment performance. Do not invent portfolio returns, assets under management, institutional usage or employer impact for an independent exercise.

Annotated fictional examples

Weak: "Passionate investor with strong modeling skills."

More useful, if true: "Built a three-year forecast for a listed components supplier using segment revenue, margin and working-capital assumptions; tested valuation sensitivity to service growth and capital intensity."

The second version gives an interviewer specific work to inspect. It does not claim that a stock performed well or that a fund used the analysis. Be prepared to explain how you chose the company, which filings you read, which cells contain judgment and what you corrected after the first version.

Weak: "Generated alpha through proprietary research."

More useful, if true: "Compared two public suppliers' service revenue disclosures and identified a difference in recurring-revenue definitions; revised the forecast to separate contractual maintenance from one-time installation work."

That example is about evidence quality. Calling public-source work proprietary can mislead if you mean only that you wrote it yourself. Similarly, a backtest, student competition, paper portfolio and funded investment account are different things. Name the actual setting.

Assemble a reviewable research packet

Use a short cover note, a one-page thesis and a model with dated assumptions. Include the valuation date, price source and a statement that the work is independent educational research. Remove personal identifiers, confidential work and material you do not have permission to share. Check that a recipient can open the files and navigate the model. A recruiter may not have time to inspect every tab, so the summary should stand on its own.

The packet should expose the weakest part of the thesis rather than bury it. For example: "The service attachment rate is not disclosed. My forecast uses a range; customer contract disclosures are the next diligence priority." That is more credible than presenting an unsupported estimate as a known fact.

Network around a specific research question

Use a conversation to understand the work and improve your preparation. A useful outreach message identifies a real connection or public piece of work, explains your relevant background briefly and asks a small, answerable question. It should not ask for confidential research, an unpublished rating change or a guaranteed referral.

Fictional outreach example

Subject: Components research and service revenue disclosure

"Hello Jordan, I am an accounting graduate preparing for fundamental research roles. I have been comparing public disclosures on service revenue at industrial suppliers and found that maintenance and installation are often combined. Your team's public coverage description prompted a question: when training a junior analyst, how do you help them distinguish a useful forecast driver from a number that is merely available? If you have time for a brief conversation, I would appreciate your perspective. Thank you, Alex."

This is a model of specificity, not a message to copy without doing the work. Replace every factual claim with something true. Keep attachments optional unless requested. A short follow-up can be appropriate after a reasonable interval; respect a refusal, silence and any stated communication preferences. Apply through required employer channels regardless of a networking conversation.

After a conversation, record the advice and one action it changes. A thank-you that explains a real improvement is more useful than repeatedly asking whether a role is open. Never imply that the contact endorsed your application unless they actually did.

Answering "Why research?"

Connect an experience, the decision you enjoyed and the work you now want. A fictional accounting candidate might explain that reconciling a customer's cash conversion led them to investigate the business driver, then build a forward view, and that they want a role where company analysis and revising a thesis are recurring responsibilities. The candidate should also acknowledge the skills still being developed. Avoid portraying banking, accounting or another career as inferior to make research sound attractive.

For "Why this team?", use its stated coverage or mandate, one public example of its work and a question about the role. An employer's reputation is not enough to explain fit. Do not claim knowledge of private strategy or repeat a firm's marketing slogan as your own motivation.

Build a source trail before a model

A forecast is easier to defend when observations and judgments are recorded separately. Start with the company's filings and investor-relations materials, then use other sources to test specific questions. Management statements are evidence of management's position, not independent verification. Third-party data can be useful, but check methodology, time period and whether the data actually covers the company you are analyzing.

Investor.gov identifies the business, risk, management discussion and financial-statement sections as useful parts of a 10-K. Use them as entry points, then read the relevant notes and more recent filings; a summary page is not a substitute for the actual report. [S1]

SOURCE-LOG FIELD	EXAMPLE ENTRY FOR A FICTIONAL PROJECT
Observation	Service revenue rose faster than installed equipment sales.
Location	Annual report, segment note, stated reporting period.
Definition	Includes maintenance and installation; recurring component not separately disclosed.
Model use	Service growth assumption, with sensitivity rather than automatic recurring-revenue treatment.
Uncertainty	Contract renewal data unavailable.
Next check	Read customer concentration and contract-duration disclosures.

Do not combine a fiscal-year metric, a trailing-twelve-month estimate and a calendar-year multiple without labeling the mismatch. Keep original units and currencies in the source tab. Note restatements and accounting changes. If a number is an estimate from a chart, label it as an estimate and avoid false precision.

Research conduct

An interview is not permission to share confidential employer material. If a contact offers potentially material nonpublic information, stop the discussion and seek appropriate compliance guidance rather than incorporating it into a pitch. FINRA Rule 2241 addresses research conflicts and disclosures in its

applicable member-firm context; it is not a universal checklist for every candidate or jurisdiction. [S2]
Your practical habit should be to distinguish public information, your analysis and information you are not entitled to use.

Research can be wrong without being careless. Carelessness includes presenting uncertain data as fact, omitting a contradictory observation you know is important, or showing an output whose inputs you cannot explain. Keep a dated revision log so a changed view can be understood.

06

Turn conflicting disclosures into a forecast decision

A source log becomes useful when two plausible inputs disagree. The task is to reconcile the definitions before deciding which number enters the model. This short fictional source packet extends Alder; the quoted exhibits were written for this exercise and are not excerpts from a real issuer.

Exhibit A — segment note: “Services revenue in Year 0 was 300, comprising maintenance and installation.”

Exhibit B — management presentation: “Service activity increased 14%; our installed base creates opportunities for additional maintenance.” The presentation does not define activity or identify whether the percentage measures revenue, orders or completed jobs.

Exhibit C — customer-contract summary: “Installation is ordinarily attached to an equipment delivery. Maintenance agreements have different durations and renewal terms.” No renewal rate, split of the 300, or equipment attachment rate is supplied.

Exhibit D — interview prompt: “For the supplied model, use service revenue growth of 14% in Year 1.”

Resolve the conflict

Record 300 as historical total service revenue because Exhibit A explicitly gives the metric and period. Record 14% as the assigned forecast assumption because Exhibit D explicitly instructs it. Do not describe the model's 14% as observed recurring-revenue growth: Exhibit B uses a different, undefined term and Exhibit C says the revenue combines different activities. An answer that happens to produce 342 can still contain a serious evidence error.

The model can include a note: “Year 1 service growth is stipulated by the case. Maintenance/installation split and renewals unavailable; no independently supported recurring-growth forecast.” The written thesis should carry that uncertainty forward. Deleting the note from the pitch would make the communication more confident than the underlying work.

Now suppose a later **fictional correction** discloses that Year 0 maintenance was 180 and installation was 120. Your working forecast is maintenance growth of 10% and installation growth of 5%. Forecast revenue becomes $198 + 126 = 324$, an 8% increase on 300. This is 18 below the original 342. The correction supports a more useful driver model, but it does not prove the new growth assumptions: both 10% and 5% remain your judgments.

Under the existing Alder Year 1 assumptions, total revenue becomes 864. At a constant 14% EBIT margin, EBIT is 120.96. After-tax EBIT is 90.72; depreciation is 25.92; capex is 34.56; NWC is 129.60 against opening 120. UFCF is therefore **72.48**. It is 0.99 above the old 71.49 despite lower revenue, because this stipulated model releases enough incremental working-capital investment and net capex to offset the operating-profit decline. Explain that result before declaring it a mistake.

This single-year improvement does not establish higher company value. Future revenues, reinvestment and the terminal state need to be rebuilt. It also exposes a weakness in simple percentage models: a constant margin assumes costs adjust smoothly. If some costs are fixed, the earnings loss may be larger. A better source definition can improve the model while simultaneously revealing another assumption that needs work.

A compact revision record

FIELD	ENTRY
Old input and reason	Services 342; 14% total growth assigned by the interview prompt.
New evidence	Historical split: maintenance 180, installation 120.
New judgment	Forecast growth 10% and 5%, pending demand evidence.
Immediate consequence	Services 324; total revenue 864; Year 1 UFCF 72.48 under unchanged ratios.
Remaining work	Rebuild later years, test fixed costs and explain the terminal economics.

Keep both versions with their dates. If the interviewer requires the original assumptions, submit the requested case and present your alternative separately. Quietly changing the task's inputs makes your answer hard to compare and conceals the reason for the difference.