

Great Groveling, Guys: Counting All the Ways Analysts Fawn Over Management

Analysts said 'congratulations' on earnings calls 11,831 times in a decade



PHOTO: HULTON ARCHIVE/GETTY IMAGES

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The phrase “[Great quarter, guys](#)” has been uttered by analysts so often on earnings conference calls that it’s become a standing joke on Wall Street. There’s even a Twitter account, with a skeptical take on earnings news, called [@greatquarter](#).

Jonathan Milian and Antoinette Smith, accounting professors at Florida International University, have just published a study of [the language analysts use on conference calls](#). Because groveling to management seems to help analysts secure what’s called “corporate access,” or [face time for clients](#) with companies’ top executives, it’s no wonder that many analysts come across as bootlicking sycophants.

Analyzing more than 16,000 earnings conference calls from almost 500 companies between early 2003 and the middle of 2013, the researchers found that analysts spoke the phrase “great quarter” roughly 3,000 times. They said “good,” “great” or “strong” more than 215,000 times.

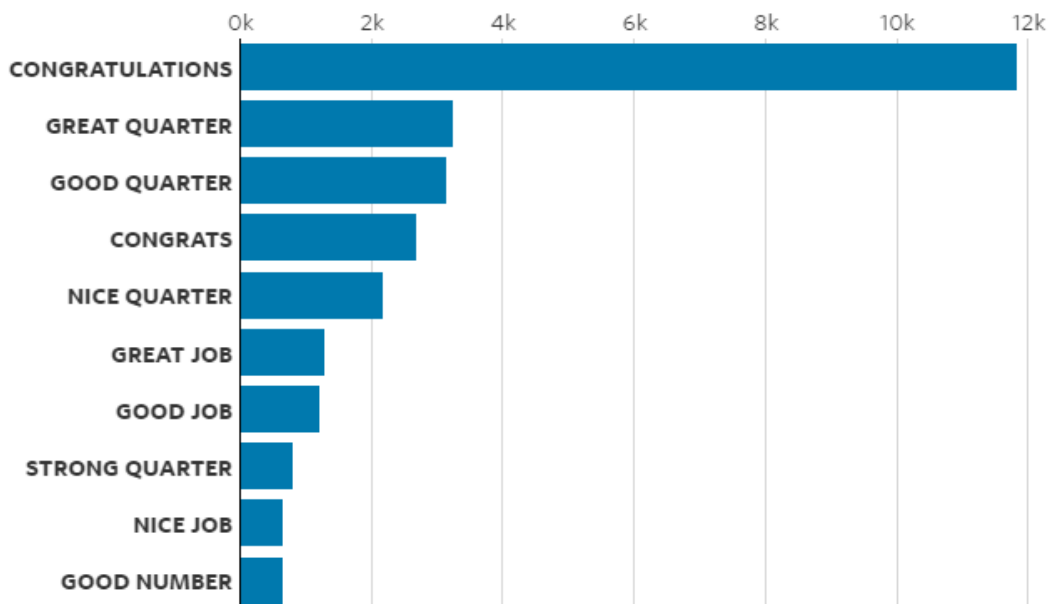
More than half of all calls included some sort of praise from analysts, ranging from “good,” “solid” or “nice” to “amazing,” “incredible,” “phenomenal,” “tremendous” and other craven flattery.

Analysts sucked up to management an average of 2.5 times per call, with the number of compliments going as high as 21 times per call in the most extreme case.

In that [epic call](#), when [Urban Outfitters](#) announced on May 15, 2008, that its earnings had increased by 45%, 19 out of 21 analysts exclaimed “congratulations.” One threw in a “fantastic,” one added “terrific” and another “amazing.”

Great Quarter, Guys

The frequency of selected terms spoken by analysts on earnings conference calls



Derived from more than 16,000 earnings conference calls from almost 500 companies from 2003 and 2013
Source: Jonathan Milian and Antoinette Smith/Florida International University

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While that's the greatest number of compliments in the researchers' dataset, the tone is typical. Analysts tend to praise in packs, Profs. Milian and Smith found. And some tend to snivel even more than others — across companies and over time. “An analyst that has issued praise in the past,” Prof. Milian said by email, “is much more likely to issue praise in the future.”

Unsurprisingly, the researchers also found that the more a company's profits exceeded expectations, the greater the number of compliments analysts tended to fling at management.

Also, the more fulsomely the analysts praised a company's executives, the more its stock shot up in the short run after the earnings announcement. On average, companies garnering a sudden shower of praise tended to outperform the market by 0.9 percentage points over the succeeding 60 trading days.

The market's menagerie has long included the bulls, the bear and the pig. Nowadays, it seems, those beasts have been overpowered by the lapdog.