

Analyst coverage of Australian listed firms

Australia's largest companies attract the lion's share of equity analyst coverage, leaving investors with limited access to forecasts for most ASX listed companies. In recent years, the number of forecasts generated by analysts has been dropping, however, there is some evidence that analysts are starting to pay more attention to smaller stocks.



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EQUITY ANALYSTS PLAY A KEY ROLE in capital markets, acting as information intermediaries between corporations and investors. They represent an important mechanism for reducing information asymmetries between capital market players, and assist investors in their capital allocation decisions. Higher analyst following of a stock is often associated with higher liquidity and a lower cost of capital.

Unsurprisingly, stock exchanges are keenly interested in the level and depth of analyst activity. Interest in the role that stock exchanges or companies themselves can play in encouraging analyst coverage of stocks is growing. For example, in recent years the Singaporean and Malaysian Stock Exchanges have moved to sponsor equity analyst research of stocks that were not previously, or were only thinly, followed, and the Australian

Securities Exchange (ASX) has likewise launched the Equity Research Scheme.¹

This paper reports on a study sponsored by the ASX into the level and depth of analyst coverage of Australian listed stocks.² To the extent that analyst activity captures important information about companies, these findings illustrate the depth of information available to investors.³

The number of earnings per share (EPS) forecasts for ASX listed firms has been falling in recent years. Fewer companies received forecasts in 2005 than in 2000 and, on average, fewer analysts per company are making forecasts. Less than a third of ASX listed companies receive any analyst attention. However, in terms of market value, in excess of 90% of the market capitalisation on the ASX is represented by companies followed by analysts – larger companies are more likely

to attract analyst attention. Roughly 80% of the largest 200 companies receive EPS forecasts compared with 6% of the smallest companies. While we detect a trend towards coverage of the smallest companies in 2005 relative to the previous two years, this interest fluctuates more widely than interest in larger firms.

Coverage of industrial companies has been growing in recent years; between 1987 and 2005, the proportion of market value in the industries sector that is followed by analysts has grown from around 60% to 90%. Over the same interval the proportion of resource firm value studied has risen slowly from 80% to 90%. By 2005, roughly 90% of all company value in both the industrials and resources sectors was followed by analysts; previously high-value resource firms had been favoured. Industry sectors (as classified by Standard & Poor's GICS standard) that have a higher concentration of value in their top companies are more likely to have high analyst following. For example, the telecommunications, utilities and energy sectors all have high analyst coverage by value. There are

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exceptions though; the consumer discretionary, health care and industrials sectors are not far behind in analyst coverage by value, despite being less concentrated. High analyst coverage of these sectors appears to be due to other factors. The least followed sectors are consumer staples, materials and information technology.

The Institutional Brokers' Estimate System (IBES) captures 14 potential variables that can be included in forecasts. EPS, dividend per share and net income are all frequently forecast together, and operating profit is forecast least often.

Table 1: Analyst coverage for ASX listed companies as measured by the number of companies receiving \$A EPS forecasts for the fiscal year ahead

Year	Total Number of ASX Listed Companies (2)	Number & Percentage of ASX Listed Companies Covered by Analysts (3)		Average Number of Months per Company receiving Forecasts (4)	Minimum [†] Number of Analysts per Company (5)	Average [†] Number of Analyst per Company (6)	Maximum [†] Number of Analysts per Company (7)
1987	1546	335	21.7%	9.7	2.9	4.0	5.9
1988	1775	314	17.7%	9.4	4.5	5.8	7.0
1989	1706	276	16.2%	9.0	4.3	5.6	6.8
1990	1535	204	13.3%	9.8	4.6	5.9	7.2
1991	1321	196	14.8%	9.7	4.3	5.7	6.8
1992	1150	209	18.2%	10.2	5.4	6.2	7.0
1993	1058	227	21.5%	9.9	5.6	6.7	7.6
1994	1151	311	27.0%	9.2	4.5	5.6	6.4
1995	1177	376	31.9%	10.1	4.1	5.0	5.7
1996	1171	358	30.6%	10.5	4.4	5.2	6.0
1997	1191	361	30.3%	10.2	4.6	5.5	6.2
1998	1213	418	34.5%	9.9	4.6	6.1	7.4
1999	1214	424	34.9%	10.2	5.0	6.2	7.7
2000	1336	529	39.6%	9.0	3.9	4.8	5.7
2001	1421	521	36.7%	10.9	4.3	5.1	5.7
2002	1423	538	37.8%	9.5	3.6	4.5	5.3
2003	1411	426	30.2%	10.0	3.5	4.4	5.0
2004	1514	471	31.1%	9.9	3.4	4.1	4.7
2005*	1640	465	28.4%	8.2	2.8	3.9	4.4
Average	1365.9	366.3	26.8%	9.8	4.2	5.3	6.2

* to September 2005.

† Different numbers of analysts contribute to each of several consensus forecasts for each company per year. These figures summarise the average number of analysts involved across all companies i.e., average of the minimum, average and maximum respectively across columns 5 through 7.

Sample selection, data and method

Data was obtained from the IBES in November 2005 (which has observations up to September 2005). This database contains almost 5 million consensus forecasts for non-US listed stocks, including 1.14 million consensus EPS estimates. Of these forecasts, 266,077 are identified as those from companies listed on the ASX (corresponding to 540,287 EPS forecasts by individual analysts).

We focus on the extent and depth of analyst activity in Australia based on EPS estimates and comment briefly on other types of forecasts. We assess the number and value of companies followed by analysts and numbers of analysts following them. We then provide evidence of variation in coverage by company size (market capitalisation), industry sector and concentration.

Analyst coverage of Australian listed companies

Frequency of analyst coverage and subsequent updating

Table 1 shows the frequency of coverage plus updates of forecasts for the period starting January 1987 (the earliest year available) through to September 2005. Column 3 contains the total number and proportion of companies listed on the ASX that are covered by analysts during this period. For the most part, less than a third of all ASX listed firms are followed by analysts; this proportion never exceeds 40%. Analysts provided forecasts for more companies during the period 2000 to 2002 than for any period before or since.

The rest of the Table shows the numbers of analysts providing forecasts per company by year. A downward trend is evident after 1999, and is more vividly displayed in Figure 1. ASX companies receive one-year-ahead EPS forecasts around 10 times per year on average (column 4),

from between four to six analysts each (columns 5 and 7)⁴. Of course, counts of companies alone offer only a very rough measure of analyst coverage. It is likely that Table 1 understates the coverage of high-value (large) companies. We next turn to finer partitions based on size.

Analyst coverage by company size

Next we examine the relative attention analysts give to large versus small companies. We rank companies by size (measured as the market capitalisation of its senior equity⁵ at the time of each EPS forecast) and divide them into size bands, with the largest 50 companies in the band 1 to 50, through to the smallest companies, in the band 401+.

The shaded area of Table 2 shows the number of companies in each size band that received a one-year-ahead EPS forecast in June each year. We restrict the counts to a single month (June) each year to ensure our assessment of analyst coverage for the entire market is not affected by differences between companies in coverage frequency (see Table 1, column 4).⁶ Column 10 shows that on average, 82.6% of all companies receiving one-year-ahead EPS forecasts during the year, did so in June. Hence, most companies receiving one-year-ahead EPS forecasts are represented here.

On average, 22.5% of listed companies are examined each June by analysts (column 12). A higher proportion of companies is followed now than during the 1980s and early 1990s but in recent years the trend has reversed with the proportion falling from around 33% in 2001 to 26% in 2005.

We see that analyst coverage increased through time across all size bands. Increased coverage of the smallest companies is particularly noteworthy. For instance, the average number of followed companies in the smallest size band is 57.5 across 1987 to 2005 but more than this number of small companies was analysed in all years from 2000 onwards. In fact, during the six years to 2005, analysts have

FIGURE 1: Average number of analysts per \$A EPS year-ahead forecast



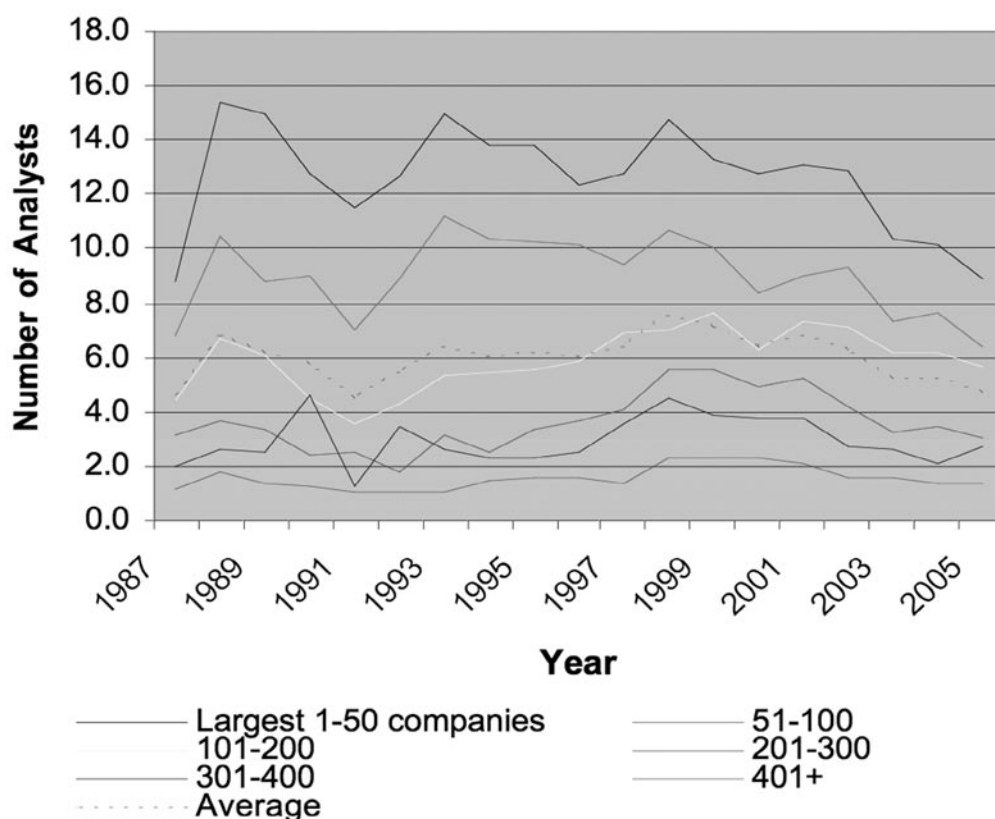
TABLE 2:

Number of companies within market capitalisation size bands receiving year-ahead EPS forecasts in June each year

Year	Largest co's		Size bands				Smallest co's	All co's with June forecasts	Total no. with EPS forecasts during the Year	Propn of co's with June to all forecasts (8)/(9)	Total no of ASX listed co's	Propn of co's with June forecasts to all AXS co's (8)/(11)
	1-50 (2)	51-100 (3)	101-200 (4)	201-300 (5)	301-400 (6)	401+ (7)	Total (8)	(9)	(10)	(11)	(12)	
1987	38	45	59	34	28	60	264	335	78.8%	1546	17.1%	
1988	38	38	64	41	17	48	246	314	78.3%	1775	13.9%	
1989	38	41	61	31	16	27	214	276	77.5%	1706	12.5%	
1990	39	43	54	22	7	6	171	204	83.8%	1535	11.1%	
1991	38	41	61	13	9	2	164	196	83.7%	1321	12.4%	
1992	35	43	68	23	4	1	174	209	83.3%	1150	15.1%	
1993	36	42	68	20	10	5	181	227	79.7%	1058	17.1%	
1994	36	42	69	42	12	20	221	311	71.1%	1151	19.2%	
1995	36	46	81	57	35	66	321	376	85.4%	1177	27.3%	
1996	36	43	84	62	41	50	316	358	88.3%	1171	27.0%	
1997	37	39	88	66	41	38	309	361	85.6%	1191	25.9%	
1998	40	40	83	72	47	44	326	418	78.0%	1213	26.9%	
1999	44	41	85	76	62	49	357	424	84.2%	1214	29.4%	
2000	43	47	79	70	53	99	391	529	73.9%	1336	29.3%	
2001	44	45	86	75	68	157	475	521	91.2%	1421	33.4%	
2002	44	45	89	76	67	148	469	538	87.2%	1423	33.0%	
2003	44	44	85	75	43	59	350	426	82.2%	1411	24.8%	
2004	47	43	90	76	53	83	392	471	83.2%	1514	25.9%	
2005	43	45	88	78	53	130	437	465	94.0%	1640	26.6%	
Average No. 'Followed' in Band	39.8	42.8	75.9	53.1	35.1	57.5	304.1		82.6%	1365.9	22.5%	
No. of Companies in Band	50	50	100	100	100	965.9*						
Proportion of Band 'Followed'	79.6%	85.6%	75.9%	53.1%	35.1%	5.9%						
Proportion of all Companies 'Followed'	13.1%	14.1%	25.0%	17.5%	11.5%	18.9%						

* This is the average number of companies across all years in the smallest size band.

FIGURE 2: Average number of analysts per company for various size bands of listed companies (and receiving year-ahead EPS forecasts in June each year)



examined more companies in every size band than the average numbers through time. And it is the smallest companies that experienced the greatest gains in analyst attention.⁷

Despite these shifts in coverage, a far higher proportion of large companies is followed than small companies. The penultimate row of Table 2 shows that even with the expanded analyst interest in smaller firms, only an average of 5.9% receive forecasts. This compares with more than 80% coverage for the largest 100 companies.

The last row of Table 2 reports the proportion of all followed companies within each size band. For example, 13.1% (=39.8/304.1) of all followed companies are members of the largest size band, 14.1% are from the second group of 50 companies and so on. The Table shows the number of companies that are followed within each size band but does not show the number of analysts following companies or the number of forecasts per company. Figures 2 and 3 shed more light on these other dimensions.

Figure 2 illustrates differences in the average number of analysts issuing forecasts for companies in each size band. In June 2005, for example, companies in the largest size band were covered by an average of nine analysts, compared with 6.4 analysts for companies in the next size band and only 1.4 analysts covering the smallest companies. The number of analysts behind each forecast has been falling across most size bands since 1998; average analysts per estimate have fallen from around 15 to just

nine or 10 for the largest firms. The exception to this trend is a small increase in the 301–400 size band.

One measure of the depth of analyst coverage in any size category is the number of one-year-ahead forecasts as illustrated in Figure 3. For example, just less than 400 year-ahead EPS forecasts were delivered in June 2005 for the largest 50 companies (and an average of 500 for the largest 50 companies over all years). While the largest 200 companies have the highest number of forecasts issued, there has been an increased interest in smaller stocks (especially during 1999–2002). This surge in interest for smaller stocks corresponds loosely to the dot.com phenomenon between 1998 and 2000.

Despite the general drift towards more forecasts for smaller companies, analysts have been generating fewer forecasts overall in recent times. The decline in analyst activity is particularly evident since 2001.

Analyst coverage by industry sectors

We next examine analyst interest in different industry sectors. Since industry classifications have changed through time, we first examine trends in two broad industry sectors – industrials and resources – and then restrict our analysis to periods after the most recent classification system, the Standard & Poor's Global Industry Classification (GICS) was introduced to the ASX in 2002.

TABLE 3: Distribution of the number of companies in industrial and resource sectors*

Year	ASX Listed Senior Equity				Companies with EPS Analysed in June			
	Ind (2)	Res (3)	Total (4)	Ind/Totl (5)	Ind (6)	Res (7)	Total (8)	Ind/Totl (9)
1987	1074	472	1546	69.5%	116	148	264	43.9%
1988	1226	549	1775	69.1%	135	111	246	54.9%
1989	1177	529	1706	69.0%	130	84	214	60.7%
1990	1041	494	1535	67.8%	109	62	171	63.7%
1991	868	453	1321	65.7%	100	64	164	61.0%
1992	747	403	1150	65.0%	119	55	174	68.4%
1993	671	386	1057	63.5%	124	57	181	68.5%
1994	726	424	1150	63.1%	161	60	221	72.9%
1995	751	425	1176	63.9%	245	76	321	76.3%
1996	745	425	1170	63.7%	239	77	316	75.6%
1997	760	430	1190	63.9%	239	70	309	77.3%
1998	777	434	1212	64.1%	256	69	325	78.8%
1999	793	418	1213	65.4%	295	61	356	82.9%
2000	946	388	1335	70.9%	331	60	391	84.7%
2001	1047	372	1420	73.7%	422	53	475	88.8%
2002	973	448	1421	68.4%	385	84	469	82.1%
2003	957	452	1409	67.9%	280	70	350	80.0%
2004	990	522	1512	65.4%	300	92	392	76.5%
2005	1041	597	1638	63.5%	333	104	437	76.2%
Average	911.1	453.9	1365.3	66.5%	227.3	76.7	304.0	72.3%

* Includes all senior equity listed on the ASX, both domestic and foreign incorporated, except Altria Group Inc. and Alcoa Inc.

Analyst coverage for industrial and resource companies

Table 3 presents the entire population of ASX listed senior equity in the industrial and resource sectors (columns 2 and 3), together with the number of companies receiving EPS forecasts in June each year (columns 6 and 7). Figure 4 plots the data.

There is a steady increase in numbers of followed industrial firms (column 6, Table 3; dashed blue line, Figure 4). Meanwhile, the number of resource firms being followed has simply tracked changes in listed resource firm counts (column 7, Table 3; dashed pink line, Figure 4). The proportion of listed firms represented by industrials (column 5) has been steady since 1987, staying between 63% and 74%, on average at 66.5%. However, analyst following in this sector has risen from 44% in 1987 to almost 80% in recent years. Unequal consolidation is a potential explanation; perhaps relatively more resource firms have combined into larger listed companies.⁸

The proportion of value analysts followed in the industrials and resources sectors is displayed in Figure 5. Traditionally this proportion has been higher for resource companies, but over time has increased for industrial companies to a point where approximately 90% of company value in each sector is 'followed'.

Analyst coverage for GICS sectors

We repeat our analysis after dividing our sample into 10 GICS sectors. We compute the number of companies in each sector at 30 June each year (number); the proportion of companies in the sector receiving year-ahead EPS forecasts from analysts in June (percentage analysed by number); the proportion of the total sector's value represented by those followed companies (percentage analysed by value); the proportion of each sector's value held by the largest five companies (percentage value in top five companies); and the proportion of the market's total value held within the sector (percentage sector of market by value). We present data from 2002 to 2005⁹ in Table 4.

The materials and financials sectors had the largest number of companies in 2005, and the utilities, telecommunications and consumer staples sectors had the smallest number of companies. Another measure of size is the proportion of market value represented by each sector. In 2005, the largest sectors by value were again the financials and materials sectors, with consumer staples ranking very close. The smallest were the information technology, utilities, health care, telecommunications and energy sectors. A low market value proportion measure combined with a high number of companies indicates a sector populated with smaller companies.

FIGURE 3: Number of year-ahead EPS forecasts issued in June each year for various size bands of companies listed on the ASX

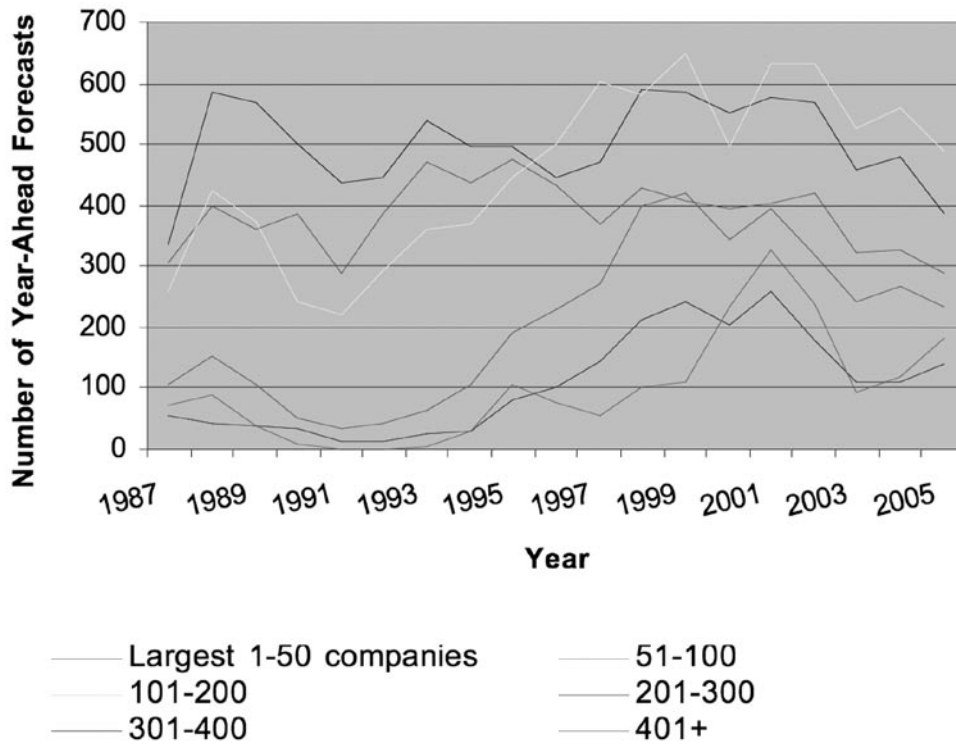


FIGURE 4: Total number of ASX listed companies in the industrial vs resource sectors (left axis) and receiving one-year-ahead EPS forecasts in June (right axis)

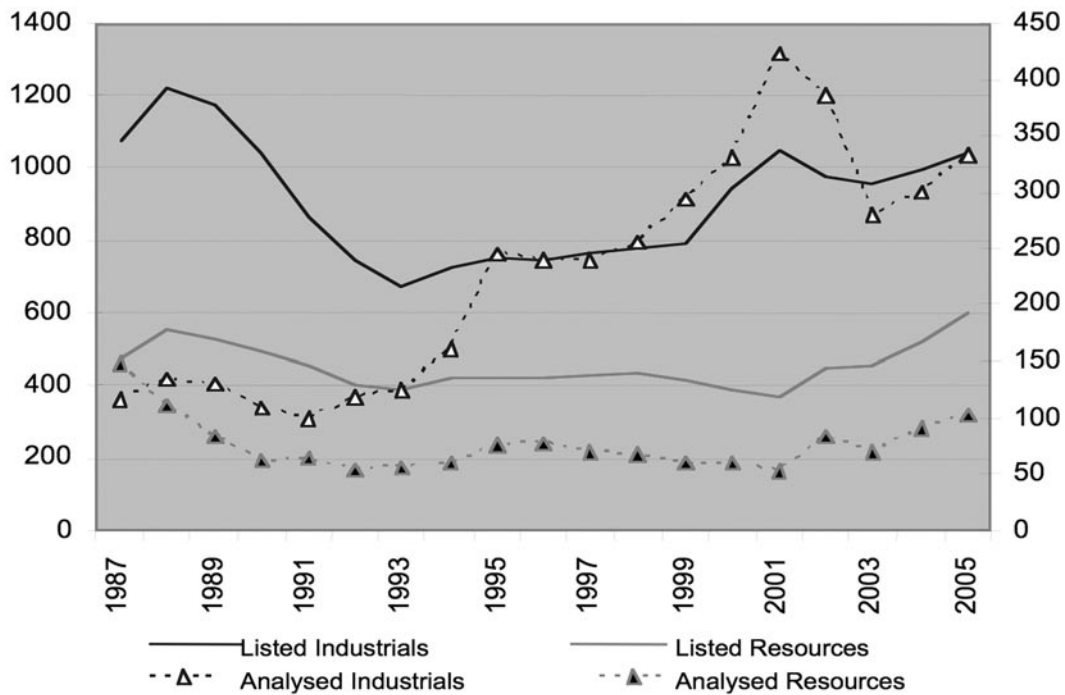
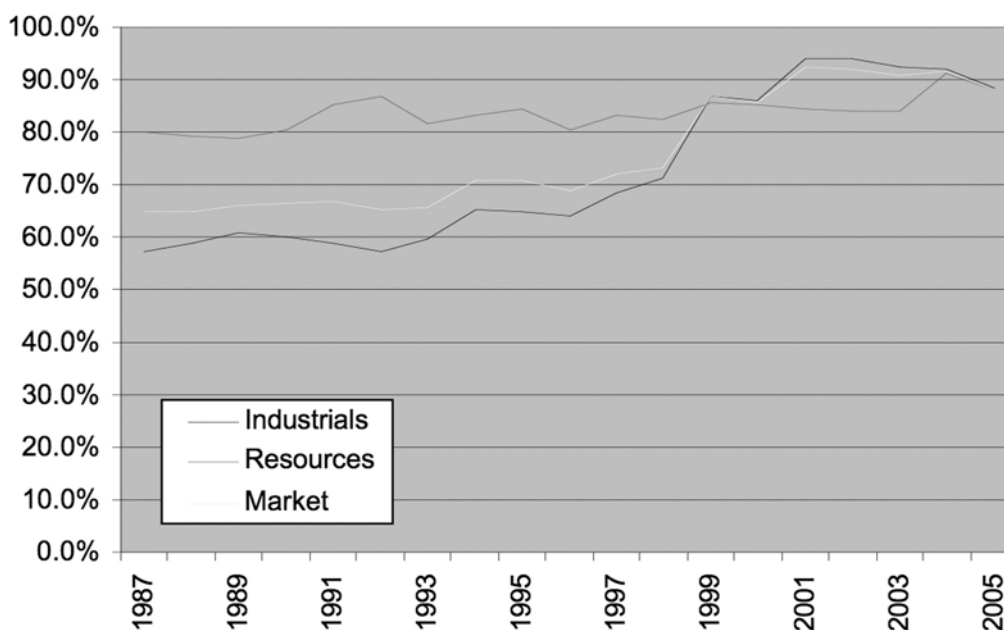


FIGURE 5: Proportion of company value followed by analysts from the industrial sector, resource sector and ASX market



The information technology, health care and energy sectors all fit this description in 2005. Conversely, higher market value proportions with lower company numbers correspond to higher-valued companies on average. The consumer staples and financials sectors contain higher-valued companies and fall into this category.

The proportion of value held by a sector's largest five companies is a measure of its concentration. More concentrated sectors (telecommunications, utilities and energy) require fewer company analyses to predict EPS for substantial sector segments. The least concentrated sectors are consumer staples, industrials and financials.

The sectors with high analyst coverage by market value are telecommunications, utilities, consumer discretionary, energy, industrials, health care and financials. At least 85% of the total value of each sector was covered in June 2005. In the telecommunications, utilities and energy sectors, high coverage by value is partly due to the high concentration of those sectors. The same is not true of the consumer discretionary, industrials, health care and financials sectors. The financials sector contains relatively high-value companies but consumer discretionary, health care and industrials sectors do not. The high proportions of value analysed for these sectors indicate a preference by analysts for these sectors. The least covered sectors by value in 2005 were the consumer staples, materials and information technology sectors. The consumer staples sector is a high-value sector with relatively few companies and yet it attracts little analyst attention as a proportion of total sector value. This is a reflection of that sector's low concentration by value. The information technology sector has a large number of companies, but is small by total market value. Its value is also not well covered by analysts.

The materials sector represents a substantial proportion of total ASX market value but is by far the largest sector by number. The large number of companies it contains possibly hampers its coverage by value for analysts.

Analyst coverage for GICS sectors through time

The previous comments for GICS sectors are all based on observations from 2005. However, they apply more widely because most measures have changed little since 2002. The remainder of this section describes the exceptions.

The materials sector witnessed a rise in the value of analysed companies from 59.3% in 2002 to 75.7% in 2005, and the utilities sector rose from 79.2% in 2002 to 99.3% in 2005. The financials sector, on the other hand, encountered the opposite trend. The proportion of the value of the financials sector that was covered by analysts fell from 98.0% in 2002 to 85.6% in 2005. Coverage by value for all other sectors has been more stable.

The proportion of companies analysed has been reasonably constant for all sectors except the consumer staples, information technology, health care and financials sectors. The proportion of analysed companies increased for consumer staples from 38.2% in 2002, when that sector contained 76 firms, to 44.8% in 2005 when it had 58 firms. Analysts did not withdraw from this sector as quickly as the companies it contained. However, in the other three sectors, the proportion of companies analysed fell. For information technology it fell from 31.1% in 2002 to 16.1% in 2005, while company numbers dropped from 167 to 149. Analysts withdrew faster than the companies in this sector. For health care it fell from 44.9% to 26.8%

when company numbers rose from 98 to 149. Analyst interest here did not match growth in the sector. Finally, the proportion of financials companies analysed shrank from 41.2% in 2002, down to 32.4% in 2005, as numbers in that sector grew from 245 to 262. Once again, analyst interest did not keep pace with changes in the sector.

Range of variables reported

We have focused on forecasts of EPS because these measures are more frequently available than any others (and are present within the IBES data set from January 1987 onwards). However, other measures are available and have become increasingly more common over time. Dividends per share (DPS) and net income (NET) are the next most frequently forecast measures after EPS. IBES contains DPS and NET measures for our ASX population from 1994 onwards, with coverage for each measure increasing up to 1999 when both are as commonly forecast as EPS.

Other attributes appearing in analyst forecasts are various breakdowns of earnings [such as before goodwill (EBG), EBIT (EBI), EBITDA (EBT)], operating profit (OPR), pre-tax profit (PRE), net asset value (NAV), return on assets (ROA), return on equity (ROE), and sales (SAL)]. The least common of these is OPR, which has been available for approximately 60% of firms with EPS forecasts. NAV, ROA and EBI are the next attributes to appear less often with EPS forecasts. Each of these attributes is however usually predicted for 90% or more of EPS company forecasts. Forecasts for the remaining attributes are all more common.

Summary

Overall, we find that the number of analysts providing EPS forecasts for ASX listed firms has been falling in recent years. Although a higher proportion of the market received analyst attention in the late 1990s than in the 1980s or the early 1990s, that proportion fell from around 33% in 2001 to 27% in 2005. Fewer companies were followed in 2005 (with fewer analysts making forecasts per company) relative to five years earlier. Large companies are far more likely to be followed than small companies. In June each year, EPS for the next year are forecast for approximately 80% of the largest 200 companies. In contrast, only 6% of the smallest companies receive such forecasts, on average. While the emphasis

has shifted in recent years, with the smallest companies attracting more analyst attention in 2005 than in either of 2003 or 2004, analyst interest in small firms is less stable than for larger firms.

While the proportion of listed companies in the industrial and resource sectors is fairly even, there is a growing preference among analysts to cover industrial companies, both in terms of numbers and market value. The move towards industrial firms appears not to be a consequence of greater merger activity. Instead, this change seems to reflect a steadily increasing emphasis by analysts towards valuable industrial firms. Between 1987 and 2005, the proportion of the value of the industrial sector studied by analysts grew from around 60% to 90%. Over the same interval the proportion of resource firm value studied rose slowly from 80% to 90%. By 2005, approximately 90% of all company value was analysed in June, regardless of whether it was an industrial or a resource firm (previously there had been a preference to cover high-value resource firms).

Consistent with a preference for analysing high-valued companies, GICS sectors with greater proportions of market value held by the largest five companies are well covered by analysts (telecommunications, utilities and energy). The consumer discretionary, health care and industrials sectors are also well measured by analysts in terms of the value of each sector covered, despite being less concentrated. High analyst coverage for these sectors appears to be due to factors other than sector concentration. The sectors least favoured by analysts are the consumer staples, materials and information technology sectors. Furthermore, analysts have been generating relatively fewer EPS forecasts for the information technology, health care and financials sectors since 2002.

There are potentially 14 different forecast variables captured by IBES. Our examination of coverage from 1999 finds that EPS, dividend per share and net income are all frequently forecast together. The characteristic that is forecast least often is operating profit. The remaining characteristics in decreasing order of frequency of forecasting are: EBITDA; sales; cash flow per share; earnings before goodwill; pre-tax profit; return on equity; book value per share; EBIT; return on assets; and net asset value. With the exception of operating profit, all these attributes appeared with more than 90% of companies with EPS forecasts.

TABLE 4: Measures of analyst coverage and size for GICS sectors (excluding Altria Group & Alcoa)

GICS Sector	Sector Name with % of Sector	2002	2003	2004	2005
10 Energy	Number	67	66	74	115
	% Analysed by Number	22.4%	16.7%	18.9%	21.7%
	% Analysed by Value	94.1%	89.5%	91.7%	91.9%
	% Value in Top 5 Co's	83.8%	83.0%	80.0%	68.4%
	% Sector of Mkt by Value	2.1%	2.1%	2.8%	4.6%
15 Materials	Number	373	373	432	462
	% Analysed by Number	18.5%	15.8%	18.1%	17.1%
	% Analysed by Value	59.3%	58.5%	74.8%	75.7%
	% Value in Top 5 Co's	38.6%	35.3%	41.0%	48.0%
	% Sector of Mkt by Value	21.7%	20.8%	20.6%	19.1%
20 Industrials	Number	166	181	192	188
	% Analysed by Number	36.7%	28.2%	34.4%	35.6%
	% Analysed by Value	90.3%	88.9%	90.7%	88.7%
	% Value in Top 5 Co's	56.0%	52.2%	45.3%	44.9%
	% Sector of Mkt by Value	6.9%	6.5%	7.0%	7.8%
25 Cons Discr	Number	164	167	161	176
	% Analysed by Number	45.7%	34.7%	37.9%	39.8%
	% Analysed by Value	91.6%	89.7%	90.3%	94.1%
	% Value in Top 5 Co's	53.9%	56.9%	54.1%	56.5%
	% Sector of Mkt by Value	7.2%	7.6%	8.4%	8.1%
30 Cons Staple	Number	76	69	66	58
	% Analysed by Number	38.2%	34.8%	33.3%	44.8%
	% Analysed by Value	26.9%	25.9%	26.4%	31.0%
	% Value in Top 5 Co's	20.7%	19.9%	21.7%	24.5%
	% Sector of Mkt by Value	21.8%	22.1%	19.7%	17.0%
35 Health Care	Number	98	107	130	149
	% Analysed by Number	44.9%	31.8%	30.8%	26.8%
	% Analysed by Value	90.0%	78.5%	79.7%	86.9%
	% Value in Top 5 Co's	58.1%	44.9%	46.9%	51.4%
	% Sector of Mkt by Value	2.4%	2.3%	2.6%	2.7%
40 Financials	Number	245	220	234	262
	% Analysed by Number	41.2%	31.8%	30.3%	32.4%
	% Analysed by Value	98.0%	95.3%	94.3%	85.6%
	% Value in Top 5 Co's	58.2%	54.6%	49.8%	45.7%
	% Sector of Mkt by Value	31.3%	31.6%	31.4%	34.9%
45 Info Tech	Number	167	154	155	149
	% Analysed by Number	31.1%	17.5%	15.5%	16.1%
	% Analysed by Value	74.1%	75.9%	78.0%	79.5%
	% Value in Top 5 Co's	25.9%	38.7%	39.9%	50.2%
	% Sector of Mkt by Value	0.5%	0.6%	0.8%	0.9%
50 Telecom's	Number	41	42	36	38
	% Analysed by Number	31.7%	16.7%	22.2%	23.7%
	% Analysed by Value	99.2%	98.8%	98.7%	99.1%
	% Value in Top 5 Co's	98.9%	98.8%	98.0%	98.2%
	% Sector of Mkt by Value	5.0%	5.1%	5.4%	3.5%
55 Utilities Number	Number	18	16	19	
	% Analysed by Number	58.8%	50.0%	50.0%	63.2%
	% Analysed by Value	79.2%	98.8%	97.7%	99.3%
	% Value in Top 5 Co's	82.1%	88.9%	90.3%	82.5%
	% Sector of Mkt by Value	1.0%	1.1%	0.9%	1.1%

Notes

- 1 Details of the Australian Securities Exchange's Program are available at the following website:
www.asx.com.au/research/companies/research_scheme/index.htm
- 2 The authors are part of a team sponsored by the ASX and the Federal Government to ascertain the determinants and impacts of analyst following.
- 3 Recognising the paucity of research coverage of small cap stocks, Finsia and the ASX have partnered to provide an Equity Research Scheme (ERS) targeted towards medium-sized companies (\$70–700 million market capitalisation) that currently do not have analyst coverage. Under the scheme, participating companies pay a fee for a participating research provider to provide research coverage of their company. Finsia, along with the ASX, provides an intermediary role in this exchange by handling the fees paid between the parties, and also by independently allocating companies to research companies, ensuring the independence and integrity of the research. The reports are published on a public website hosted by Finsia.
- 4 These patterns can reflect changes to the population being recorded or they can be a consequence of changing coverage by managers of the data set. For instance, a trend showing rising analyst numbers in early years could be caused by increasing numbers of analysts, or it could be due to better enumeration methods for the database itself. So the sudden gains evident in Figure 1 between 1987 and 1988, might be better explained by expanded IBES data base coverage in Australia. Declining numbers are more difficult to reconcile with growing data base coverage. With the exception of 2005 (an incomplete year), the downward trend in recent times is more plausibly a reflection of a falling number of analysts studying listed companies (than it is a fall in data base coverage).

5 Senior equity is fully paid ordinary or common shares. In later years contributing or partly paid shares are also recognised as senior equity when no fully paid shares are listed.

6 Slightly more companies receive year-ahead EPS forecasts in June than any other month. The following table shows the distribution of average company counts between 1987 and 2005. Averages for October to December are slightly smaller because more companies are analysed in 2005 than earlier years and no data is available for these months here.

Month	Jan	Feb	Mar	Apr	May	Jun
Average	229.4	303.4	304.1	306.2	306.3	306.6
Month	Jul	Aug	Sep	Oct	Nov	Dec
Average	303.9	303.7	299.1	294.6	295.3	289.1

- 7 Increasing numbers of companies followed could be caused by growth in the number of companies listed rather than an increase in analyst coverage of the entire market. Indeed, column (11) shows the total number of listed companies has grown steadily since the mid 1990s. Since that time, more companies have been listed and analysts are examining more companies. Column (12) shows the growth in analyst coverage more than kept pace with market listings until 2001, when analyst coverage started to shrink.
- 8 A more detailed exploration of this possibility can be found in the full report (see Footnote 2).
- 9 The longest span for which we can use Standard & Poor's GICS classifications.