Bottom-Up Analysis

Bottom-up analysis is a form of analysis that starts at and focuses on individual firm characteristics in determining the intrinsic value of the firm. It is driven by the belief that broad economic factors (i.e. factors from the “top”) are either unimportant or unforecastable. These traits render these broad top-down factors irrelevant or at least relatively unimportant in valuing a company.

Bottom-up investors would probably sum up their faith in bottom-up analysis in the following way. Individual firms are inherently more predictable than markets. Furthermore, superior companies eventually excel, regardless of what happens to the economy; and inferior companies eventually disappoint regardless of what happens to the economy.