Three Levers

Team Bogey

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The Three Levers

Assigned Questions

1. Which companies used their assets most productively?

- From each category: Dell, Estee Lauder, and Google had the highest Total Asset Turnover Ratios indicating an efficient use of assets in their respective categories.
- Analysis of the ROA shows that Dell, Kimberly Clark and Google had the highest ROA in their respective categories indicating that their asset investments are correlated with sales.

2. Which companies use debt most aggressively in financing their operations?

- From each category: Dell and Kimberly-Clark had the highest Equity Multiplier in their categories. In the internet services and retailing category Yahoo! and eBay had similar average Equity Multipliers, however eBay's increased over the 5 year period and Yahoo!'s remained constant, showing a more aggressive transition to debt financing.

3. Which companies ROE would be most attractive to investors, and how was it generated?

- Initial observation shows that Dell, Kimberly Clark and Google showed the highest average ROE over the period observed in their respective categories.

- Dell and Kimberly Clark increased their ROE's from debt financing activities as indicated by their significant increases in their Equity Multiplier.

- Google had an attractive ROE from consistent sales and efficient and improved use of their assets.

4. Which company changed the most in how it generated ROE results for investors from year 1 to year 5? Explain.

- Apple showed the largest increase in ROE over the period and Proctor and Gamble showed the largest decrease over the period.

- Apple was able to do this through higher margins and a slight increase in debt financing, creating a significant boost in ROE.

- Proctor and Gamble's ROE decreased significantly from an increase in financing through equity, which reduces their susceptibility to threats in the debt market.

- Kimberly Clark also showed a significant increase in ROE from heavy debt financing over the period.

For a review of the data click Data Table

Here is an example of an in-line image inserted: