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Adobe vs Apple ROE Decomposition

Adobe and Apple are two well known names in the software industry -- many artists prefer Apple computers paired with Adobe art software, and both companies have a reputation for providing some of the most powerful tools in their field. From a business perspective, however, the two companies are quite different. Adobe deals in mostly subscription based software, while Apple sells mobile phones, PC hardware, and software. Apple is, on the whole, significantly larger than Adobe as well. Comparing each company's net income, average yearly assets, and average yearly equity, we see that Apple has significantly higher numbers across the board. Not only are the raw numbers all larger, but the relevant percentages are in Apple's favor as well. Below is a breakdown of both companies' ROE decompositions:

	Adobe	Apple
Return on Sales	0.1996	0.2119
Asset Turnover	0.4792	0.7047
Leverage	1.6937	2.4718
Return on Equity	.1620 ~= 16%	0.3690 ~= 37%

Based on this data, we can see that Apple had higher numbers in every single category. It had a slightly higher return on sales, which means that both companies almost made the same net income for each dollar of sales. Apple had a significantly higher asset turnover, however, and

that means that the company is more effective at using its assets to generate revenue. Apple sells expensive and quality items like computers, tablets, and phones, while Adobe is more reliant on selling subscriptions for software. Apple is more leveraged than Adobe, which is not necessarily a good thing. This ratio indicates that Apple has more debt to its equity than Adobe; however, Apple is in a good situation financially and is safe using its debt to finance operations. The most notable statistic is Apple's incredibly high return on equity, which is more than twice that of Adobe's. Apple is incredibly good at using its stockholders' equity, as 37% is a very large figure for that statistic. Overall, though both companies are in a good place and show little danger financially, Apple certainly shows its status as one of the wealthiest and most successful companies in the world.

