### Current Ratio

|  |  |  |  |
| --- | --- | --- | --- |
| **Cluster** | **Industries** | **Companies** | **Average** |
| 1 | Consumer Specialties  Wholesale Distributors | 4  2 | 4.55 |
| 2 | Agricultural Chemicals  Apparel  Electrical Products  Medical Specialities  Medical/Dental Instruments  Ordnance And Accessories  Precious Metals | 13  12  14  17  14  3  39 | 3.71 |
| 9 | Air Freight/Delivery Services  Aluminum  Beverages (Production/Distribution)  Coal Mining  Computer Manufacturing  Consumer Electronics/Appliances  Environmental Services  Hotels/Resorts  Integrated oil Companies  Movies/Entertainment  Oil & Gas Production 1  Other Pharmaceuticals  Railroads | 12  2  14  10  4  7  6  17  23  7  25  5  11 | 1.28 |
| 10 | Consumer Electronics/Video Chains  Diversified Commercial Services  Electric Utilities: Central  Oil/Gas Transmission  Power Generation  Publishing  Real Estate Investment Trusts  Retail: Computer Software & Peripheral  Television Services | 2  16  59  12  19  4  177  2  7 | 0.98 |

The first two clusters are characterised by an average current ratio of roughly 4, i.e. companies in those industries own 4 times more current assets than their amount of current liabilities.

* Explanation: industries such as apparel, precious metals or medical/dental instruments have one characteristic in common: high inventory and/or high accounts. In turn, current liabilities are lower as a reason of low short term debt. In contrast, higher long-term liabilities are found in the balance sheets
* The two industries Ordnance And Accessories and Electrical Products are also included in the second lowest performing cluster in terms of asset turnover (see figure XX). Explanation?

Industries represented by a current ratio roughly equal to one are characterised by the same amount of current assets and current liabilities. Thus, in the two worst performing clusters in terms of the current ratio, several service industries can be found, such as Power Generation, Oil/Gas Transmission, Air Freight/Delivery, Environmental or Television services. A common characteristic of service industries is low to no inventory, i.e. the major contributing factor to current assets are accounts receivable.

### Gross Margin

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Cluster** | | **Industries** | **Companies** | **Average** |
| 1 | Banks  Building operators  Commercial Banks  Finance: Consumer Services  Investment Bankers/Brokers/Service  Investment Managers  Major Banks  Miscellaneous  Savings Institutions  Specialty Insurers | | 2  3  23  32  18  24  58  2  6  10 | 91.88 |
| 2 | Advertising  Computer peripheral equipment  Computer Software: Prepackaged Software  Computer Software: Programming, Data Processing  Diversified Commercial Services  Diversified Financial Services  Hospital/Nursing Management  Major Pharmaceuticals  Newspapers/Magazines  Oil & Gas Production 1  Real Estate  Real Estate Investment Trusts  Services-Misc. Amusement & Recreation  Television Services | | 8  3  35  11  16  2  15  24  10  25  26  177  11  7 | 69.35 |
| 9 | Automotive Aftermarket  Engineering & Construction  Integrated oil Companies  Meat/Poultry/Fish  Medical Specialities  Military/Government/Technical  Steel/Iron Ore | | 16  7  23  5  17  18  18 | 17.10 |
| 10 | Aluminum  Building Products  Retail: Computer Software & Peripheral Equipment | | 2  5  2 | -0.94 |

The major industries included in the first cluster with the highest gross margin are financial and investment services, such as banks, investment managers and savings institutions. The first cluster has a much higher average gross margin than the second best performing cluster, even both clusters contain services. One explanation for the difference is that financial services generate much more revenue than services such as advertising or television. In general, service industries do not have major cost of goods sold, because expenses for labour is the only contributing factor to direct costs of the production of their services. In contrast, manufacturing industries have to include expenses for production material which results in higher cost of goods sold and, thus, in a lower gross margin. Explanation for last two clusters necessary.

### Net Margin

|  |  |  |  |
| --- | --- | --- | --- |
| **Cluster** | **Industries** | **Companies** | **Average** |
| 1 | Oil & Gas Production 1  Real Estate Investment Trusts | 25  177 | 37.03 |
| 2 | Aerospace  Banks  Biotechnology: Electromedical Apparatus  Business Services  Coal Mining  Commercial Banks  Diversified Commercial Services  Investment Managers  Major Banks  Property-Casualty Insurers  Railroads  Savings Institutions  Television Services  Water Supply | 9  2  2  32  10  23  16  24  58  51  11  6  7  7 | 14.25 |
| 9 | Building Products  Computer Communications Equipment  Electronic Components  Finance: Consumer Services  Industrial Machinery/Components | 5  4  8  32  63 | -20.23 |
| 10 | Biotechnology: Physical & Biological Research  Major Chemicals  Precious Metals | 3  44  39 | -44.19 |

The best performing cluster in terms of the net margin consists of two industries: Oil/Gas Production and Real Estate Investment Trusts. Both industries are also included in the cluster with the second best performance with respect to the gross margin. The comparison of the income statements of companies operating in the Oil & Gas Production industry and in Real Estate Investment Trusts gave the following explanation why both industries outline similar net margins, even if their business models (asset structure, customer segments, source of revenue, etc.) completely differ from each other: Oil and Gas Production companies are characterised by higher revenues due to the enormous quantities produced, but also by higher operating expenses due to their equipment necessary for operating oil and gas plants. In contrast, companies operating in Real Estate Investment Trusts outline less revenue, but also less cost of goods sold and operating expenses resulting from their activities only focused on collective investment. Thus, the net margin ratio is similar.

The industries Aerospace, Coal Mining and Railroads are not contained in the two best performing clusters in terms of the gross margin, but associated with the second best performing cluster in terms of the net margin. Aerospace, Coal Mining and Railroads are identified as having a lower gross margin because less revenue is generated while cost of goods sold are similar. However, the operating costs …. TBC

The worst performing industries in terms of the net margin are focused on biotechnology, major chemicals and precious metals. Explanation necessary

### ROI

|  |  |  |  |
| --- | --- | --- | --- |
| **Cluster** | **Industries** | **Companies** | **Average** |
| 1 | Computer Manufacturing  Integrated oil Companies | 4  23 | 9.08 |
| 2 | Auto Manufacturing  Building operators  Commercial Banks  Department/Specialty Retail Stores  Major Banks | 10  3  23  11  58 | 2.09 |
| 9 | Computer Communications Equipment  Computer peripheral equipment  Computer Software: Prepackaged Software  Miscellaneous manufacturing industries  Recreational Products/Toys  Transportation Services | 4  3  35  4  5  5 | -0.02 |
| 10 | Aluminum  Catalog/Specialty Distribution | 2  4 | -0.18 |

### ROE

|  |  |  |  |
| --- | --- | --- | --- |
| **Cluster** | **Industries** | **Companies** | **Average** |
| 1 | Integrated oil Companies | 23 | 11.53 |
| 2 | Clothing/Shoe/Accessory Stores  Computer Manufacturing  Medical/Nursing Services  Precious Metals | 22  4  9  39 | 3.21 |
| 9 | Diversified Commercial Services  Oil Refining/Marketing | 16  13 | -1.65 |
| 10 | Farming/Seeds/Milling | 9 | -6.44 |

### Accounts Receivable Turnover

|  |  |  |  |
| --- | --- | --- | --- |
| **Cluster** | **Industries** | **Companies** | **Average** |
| 1 | Catalog/Specialty Distribution  Commercial Banks  Restaurants | 4  23  14 | 161.63 |
| 2 | Automotive Aftermarket  Clothing/Shoe/Accessory Stores  Consumer Electronics/Video Chains  Department/Specialty Retail Stores  Food Chains  Integrated oil Companies  Major Banks  Other Pharmaceuticals  Other Specialty Stores  RETAIL: Building Materials | 16  22  2  11  11  23  58  5  17  5 | 58.84 |
| 9 | Banks  Biotechnology: Physical & Biological Research  Biotechnology: Electrotherapeutic Apparatus  Biotechnology: Laboratory Analytical Instruments  Broadcasting  Building operators  Computer Communications Equipment  Computer peripheral equipment  Consumer Electronics/Appliances  Diversified Financial Services  Electronic Components  Engineering & Construction  Fluid Controls  Industrial Machinery/Components  Investment Bankers/Brokers/Service  Medical/Dental Instruments  Metal Fabrications  Military/Government/Technical  Miscellaneous  Oilfield Services/Equipment  Paints/Coatings  Property-Casualty Insurers  Real Estate  Semiconductors  Water Supply | 2  3  2  4  10  3  4  3  7  2  8  7  7  63  18  14  36  18  2  16  5  51  26  21  7 | 4.91 |
| 10 | Advertising | 8 | 3.17 |

### Collection Period

|  |  |  |  |
| --- | --- | --- | --- |
| **Cluster** | **Industries** | **Companies** | **Average** |
| 1 | Catalog/Specialty Distribution  Clothing/Shoe/Accessory Stores  Consumer Electronics/Video Chains  Department/Specialty Retail Stores  Food Chains  Integrated oil Companies  Other Pharmaceuticals  Other Specialty Stores | 4  22  2  11  11  23  5  17 | 13.37 |
| 2 | Air Freight/Delivery Services  Aluminum  Automotive Aftermarket  Oil Refining/Marketing  Restaurants  RETAIL: Building Materials | 12  2  16  13  14  5 | 27.27 |
| 9 | Accident & Health Insurance  Advertising  Biotechnology: Biological Research  Biotechnology: Electrotherapeutic Apparatus  Broadcasting  Building operators  Business Services  Software: Programming, Data Processing  Industrial Machinery/Components  Life Insurance | 8  8  3  2  10  3  32  11  63  30 | 112.45 |
| 10 | Diversified Financial Services  Finance: Consumer Services  Investment Bankers/Brokers/Service  Oil & Gas Production  Property-Casualty Insurers | 2  32  18  125  51 | 256.42 |

### Asset Turnover

|  |  |  |  |
| --- | --- | --- | --- |
| **Cluster** | **Industries** | **Companies** | **Average** |
| 1 | Auto Manufacturing  Computer Manufacturing  Integrated oil Companies | 10  4  23 | 40.89 |
| 2 | Department/Specialty Retail Stores  Other Pharmaceuticals  Retail: Computer Software & Peripheral Equipment | 11  5  2 | 24.61 |
| 9 | Broadcasting  Business Services  Computer Software: Prepackaged Software  Diversified Commercial Services  Diversified Financial Services  EDP Services  Electrical Products  Engineering & Construction  Forest Products  Home Furnishings  Homebuilding  Hotels/Resorts  Investment Bankers/Brokers/Service  Investment Managers  Miscellaneous manufacturing industries  Office Equipment/Supplies/Services  Oil/Gas Transmission  Oilfield Services/Equipment  Ordnance And Accessories  Other Consumer Services  Other Specialty Stores  Plastic Products  Professional Services  Recreational Products/Toys  Specialty Chemicals  Textiles  Water Supply | 10  32  35  16  2  32  14  7  7  10  26  17  18  24  4  9  12  16  3  28  17  6  17  5  5  4  7 | 1.26 |
| 10 | Banks  Biotechnology: Biological Research  Biotechnology: Laboratory Analytical Instruments  Building Products  Computer Communications Equipment  Computer peripheral equipment  Software: Programming, Data Processing  Fluid Controls  Marine Transportation  Mining & Quarrying of Nonmetallic Minerals  Miscellaneous  Movies/Entertainment  Newspapers/Magazines  Publishing  Real Estate  Real Estate Investment Trusts  Savings Institutions  Services-Misc. Amusement & Recreation  Transportation Services | 2  3  4  5  4  3  11  7  49  11  2  7  10  4  26  177  6  11  5 | 0.57 |