

Finance v/s IT (A Comprehensive Analysis to Aid Job Search)

Finance vs IT (A Comprehensive Analysis to Aid Job Search)

Mihir Joshi

MS Engineering Management - Northeastern University

- Total Liabilities

2. Benchmark by Industry

- Profitability
- Growth

3. Enterprise Comparison

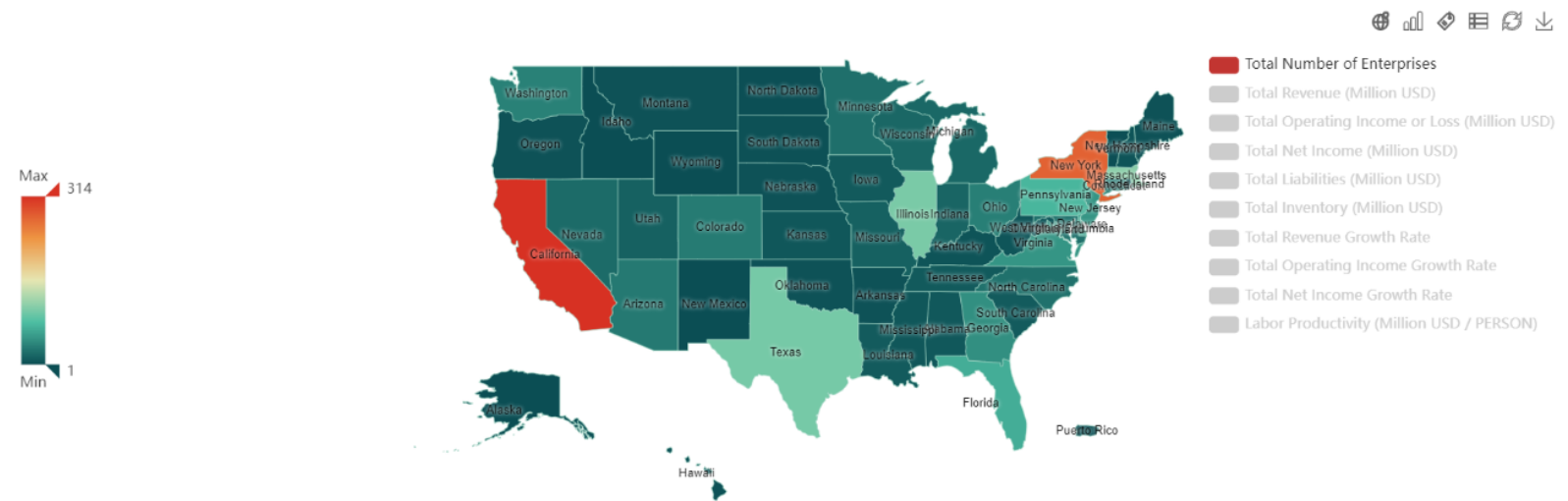
- Operating Margin v/s Revenue
- ROA v/s Liability Asset Ratio

4. Enterprise trend by Profitability

5. Enterprise Ranking by Net Income

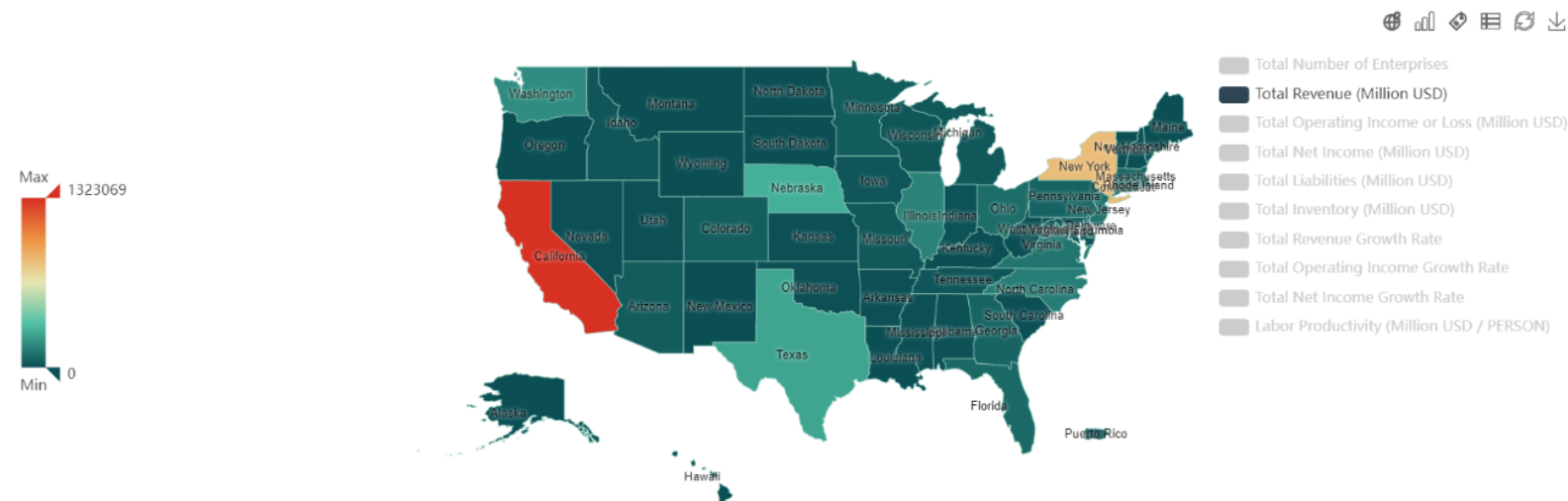
6. Conclusion

Enterprise Distribution by Total Number



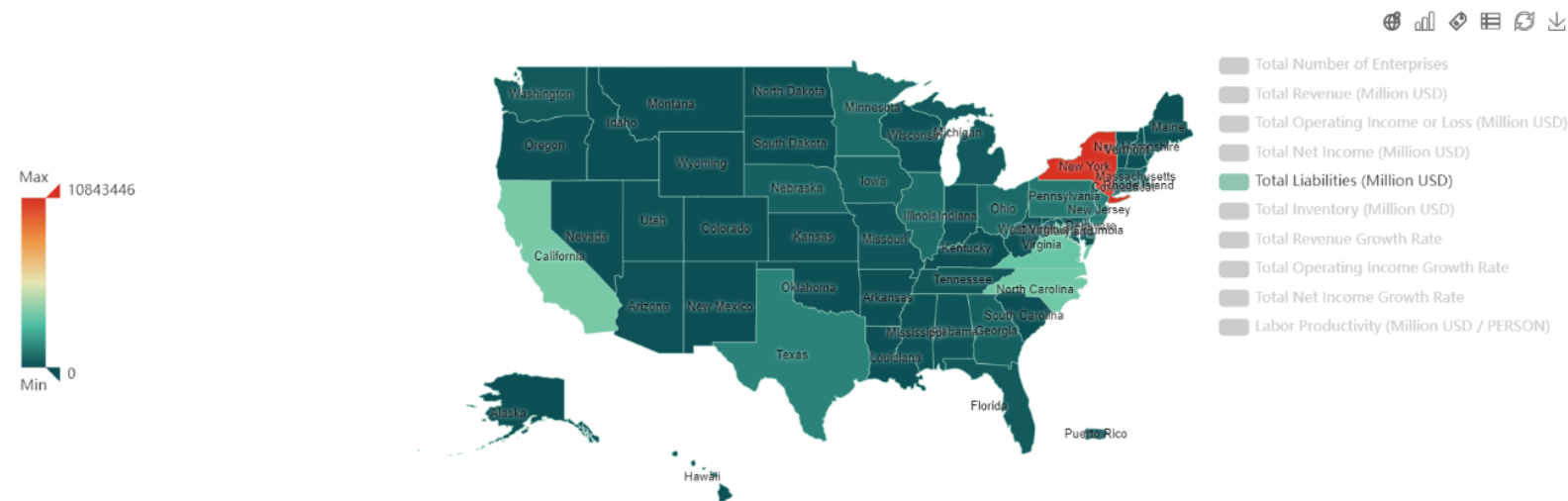
It is obvious from the map that California and New York have the largest number of Enterprises in Finance and Information Technology.

Enterprise Distribution by Total Revenue (Million USD)



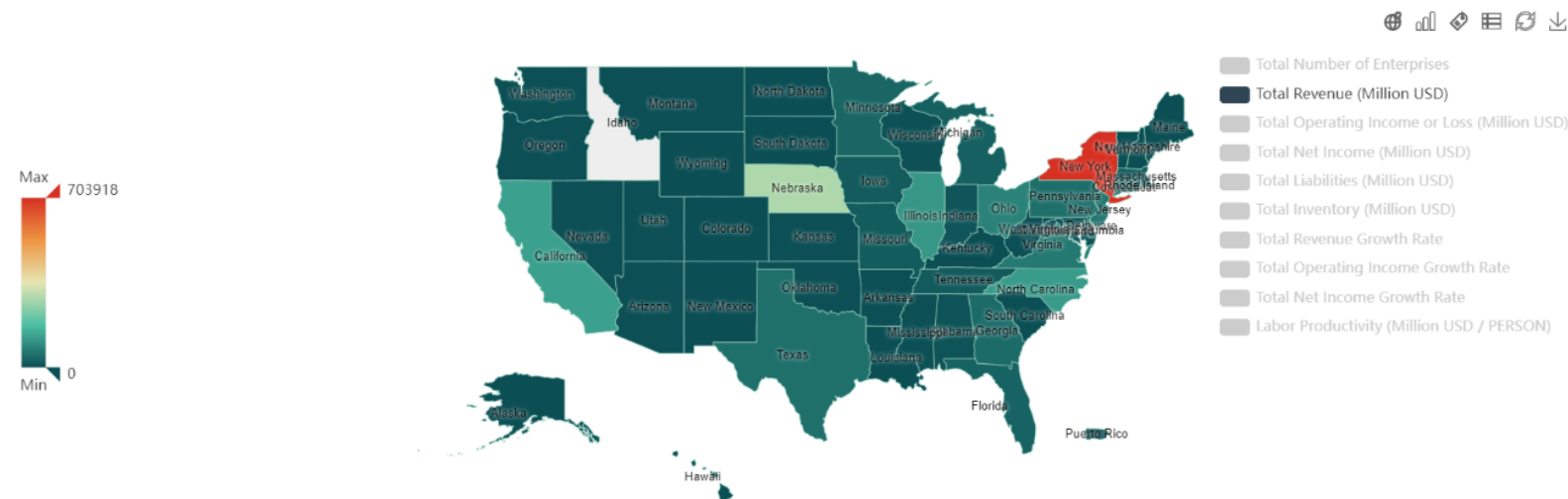
In terms of total revenue, we can see pretty much a similar pattern with California at the top followed by New York and Texas.

Enterprise Distribution by Total Liabilities (Million USD)



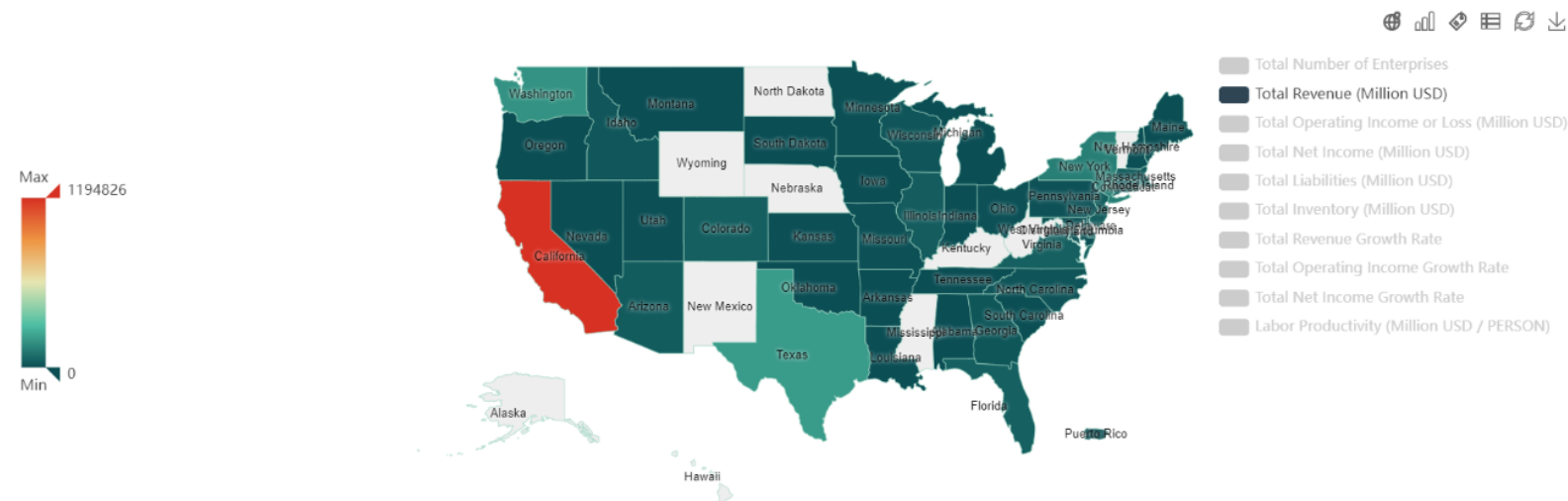
We can see that in terms of total liabilities, New York takes the cake with approximately 10 Million USD in total liabilities followed by the District of Columbia and California with 3.9 Million and 3.4 Million USD in total liabilities.

Distribution of Finance industry by Total Revenue (Million USD)



The highest revenue generator for the Finance industry is New York, followed by Nebraska and California.

Distribution of IT industry by Total Revenue (Million USD)



The highest revenue generator for the IT industry is California, followed by Texas, Washington and New York.

Finance Benchmark by Industry - Profitability

Industry (Financials) KPIs Benchmark
(Profitability)

KPI	90th Percentile	75th Percentile	Median	25th Percentile	10th Percentile
Total Revenue-United States (Million USD)	2,303.05	480.1	100.2	27.7	7.48
Operating Income or Loss-United States (Million USD)	1,014.38	274.78	2.26	-0.8	-2.92
Gross Margin-United States	0.82	0.61	0.5	0.35	0.04
Operating Margin-United States	0.45	0.34	0.2	0	-0.36
Net Margin-United States	0.98	0.89	0.26	0.15	0.01
Asset Turnover-United States	0.31	0.11	0.04	0.03	0.02
Return on Assets-United States	0.09	0.04	0.01	0.01	0
Return on Equity-United States	0.18	0.11	0.07	0.03	0
Return on Invested Capital-United States	0.13	0.08	0.05	0.02	-0.01

IT Benchmark by Industry - Profitability

Industry (Information Technology) KPIs Benchmark
(Profitability)

	90th Percentile	75th Percentile	Median	25th Percentile	10th Percentile
Total Revenue-United States (Million USD)	4,483.74	1,215.23	303.32	30.56	3.26
Operating Income or Loss-United States (Million USD)	529.87	58.04	-0.17	-9.71	-70.97
Gross Margin-United States	0.81	0.71	0.53	0.34	0.18
Operating Margin-United States	0.2	0.09	0	-0.24	-1.23
Net Profit Margin-United States	0.18	0.07	-0.03	-0.28	-1.5
Asset Turnover-United States	1.5	0.97	0.61	0.38	0.21
Return on Assets-United States	0.11	0.05	-0.03	-0.2	-0.86
Return on Equity-United States	0.24	0.12	-0.01	-0.27	-0.89
Return on Invested Capital-United States	0.18	0.09	-0.02	-0.21	-0.74

Finance Benchmark by Industry - Growth

Industry (Financials) KPIs Benchmark
(Growth)

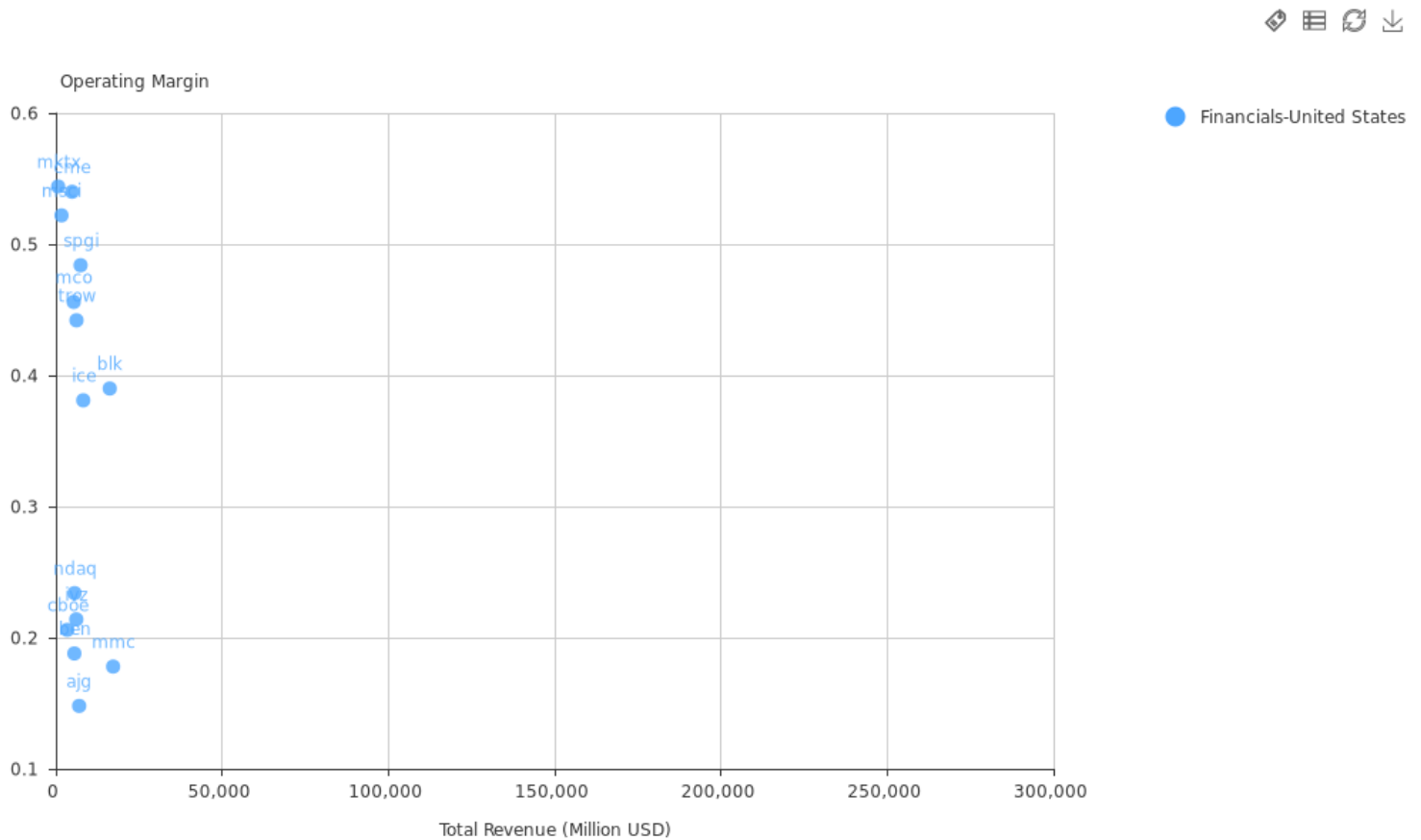
KPI	90th Percentile	75th Percentile	Median	25th Percentile	10th Percentile
Total Revenue Growth Rate-United States	0.49	0.18	0.04	-0.17	-0.67
Operating Income Growth Rate-United States	1.53	0.31	0.13	-0.24	-0.86
Net Income Growth Rate-United States	0.94	0.16	-0.16	-0.55	-0.87
Total Cash Flow from Operating Activities Growth Rate-United States	0.94	0.25	-0.04	-0.35	-0.93
Total Liabilities Growth Rate-United States	0.55	0.26	0.11	0	-0.12
Total Assets Growth Rate-United States	0.42	0.22	0.1	0	-0.05
Free Cash Flow Growth Rate-United States	1.03	0.27	-0.05	-0.4	-1.01

IT Benchmark by Industry - Growth

Industry (Information Technology) KPIs Benchmark
(Growth)

KPI	90th Percentile	75th Percentile	Median	25th Percentile	10th Percentile
Total Revenue Growth Rate-United States	0.5	0.25	0.07	-0.07	-0.3
Operating Income Growth Rate-United States	1.19	0.44	0.01	-0.41	-1.58
Net Income Growth Rate-United States	2.04	0.41	-0.08	-0.72	-2.2
Total Cash Flow from Operating Activities Growth Rate-United States	2.54	0.66	0.16	-0.21	-1.11
Total Liabilities Growth Rate-United States	1	0.35	0.11	-0.04	-0.2
Total Assets Growth Rate-United States	1.29	0.38	0.11	-0.01	-0.13
Free Cash Flow Growth Rate-United States	3	0.74	0.16	-0.29	-1.29

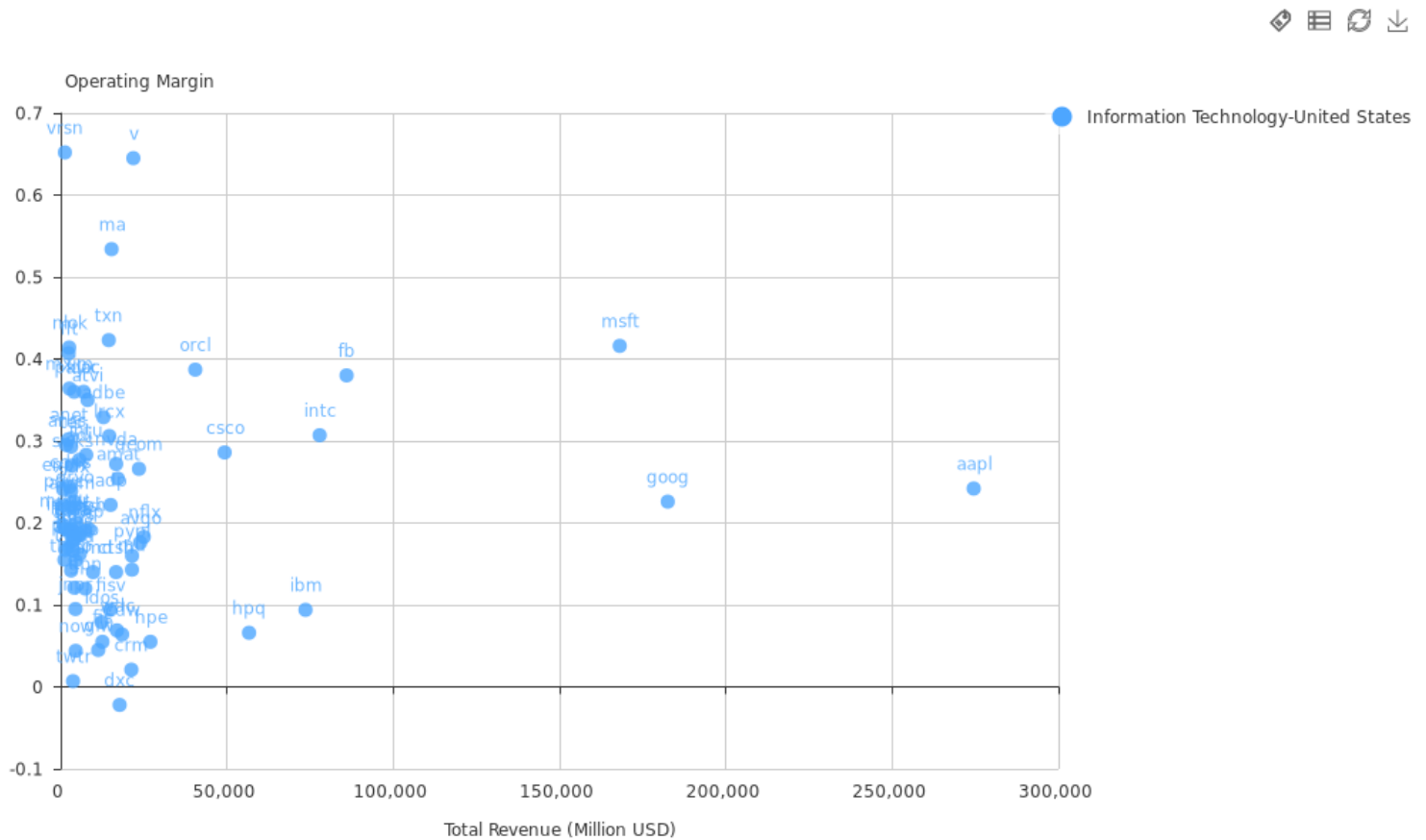
Financials Operating Margin vs. Revenue



It is important to note that only S&P 500 companies are shown here since inclusion of other companies yields an operating margin of approximately 0.

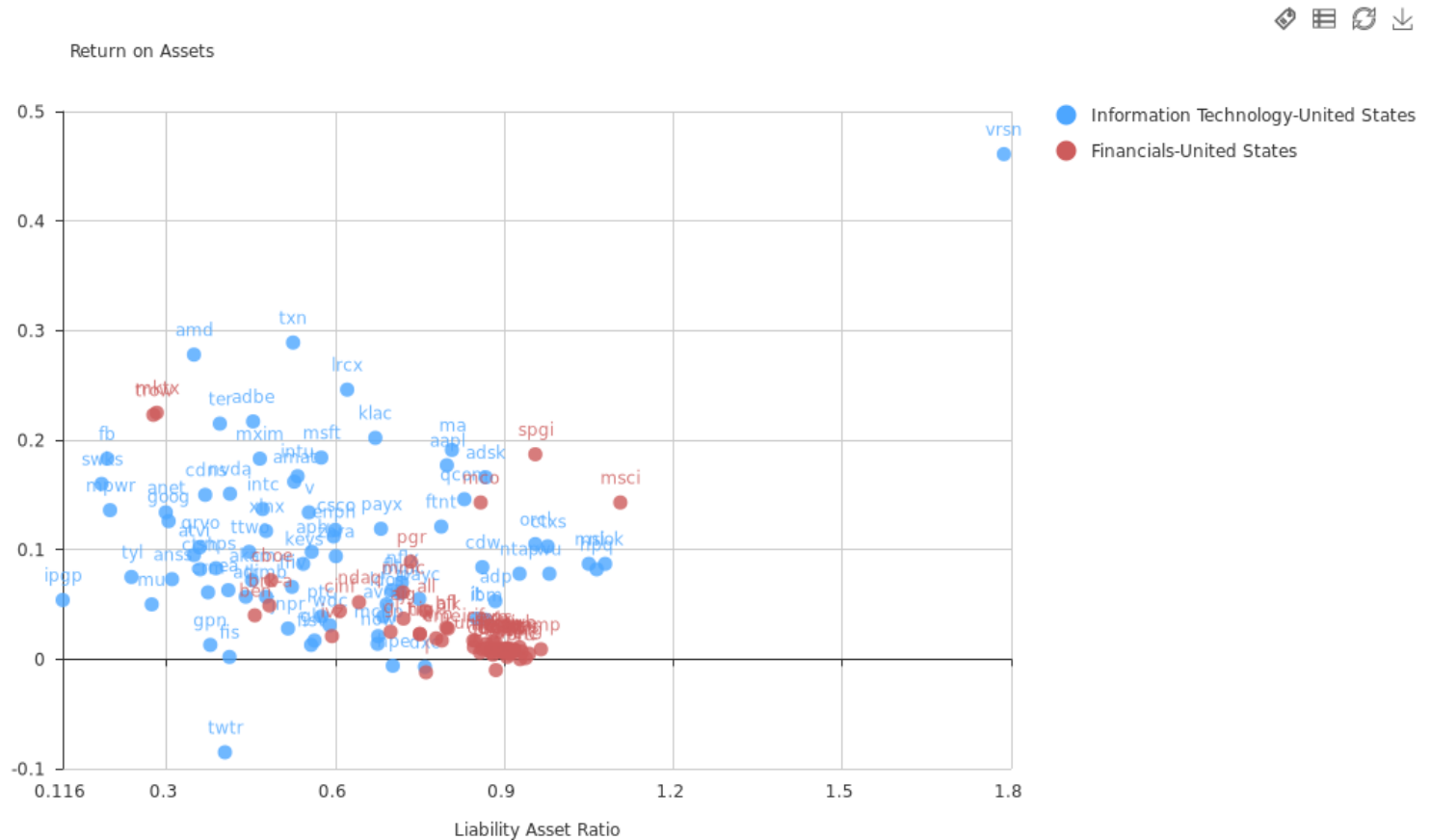
We can see that MarketAxess Holdings leads this group with an operating margin of 0.544 and a revenue of \$689.13 Million USD

IT Operating Margin vs. Revenue



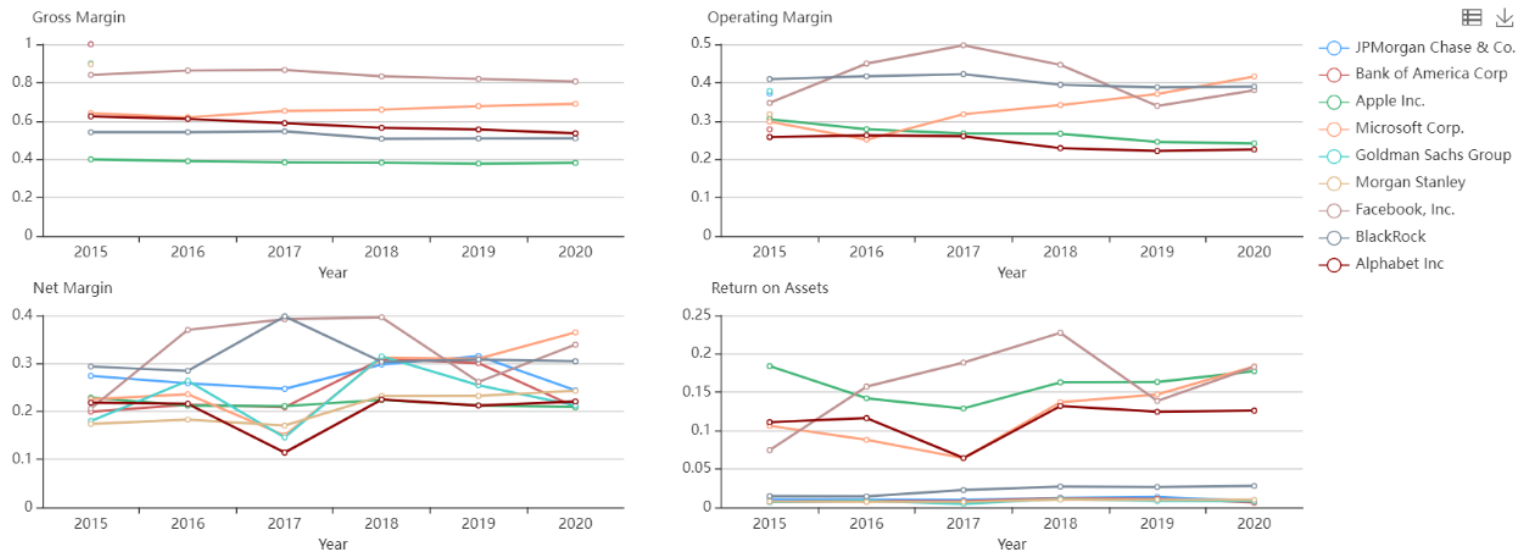
We can straight away see the market leaders in this graph. Although Verisign, Inc has a high operating margin of 0.652, it has a revenue of only \$1265.05 Million USD. In contrast, Apple Inc, has a lesser operating margin (0.242) as compared to Verisign, Inc, but its revenue is \$274,515 Million USD. Therefore, we can see why Apple is a market leader in the IT industry.

Return on Assets vs. Liability Asset Ratio



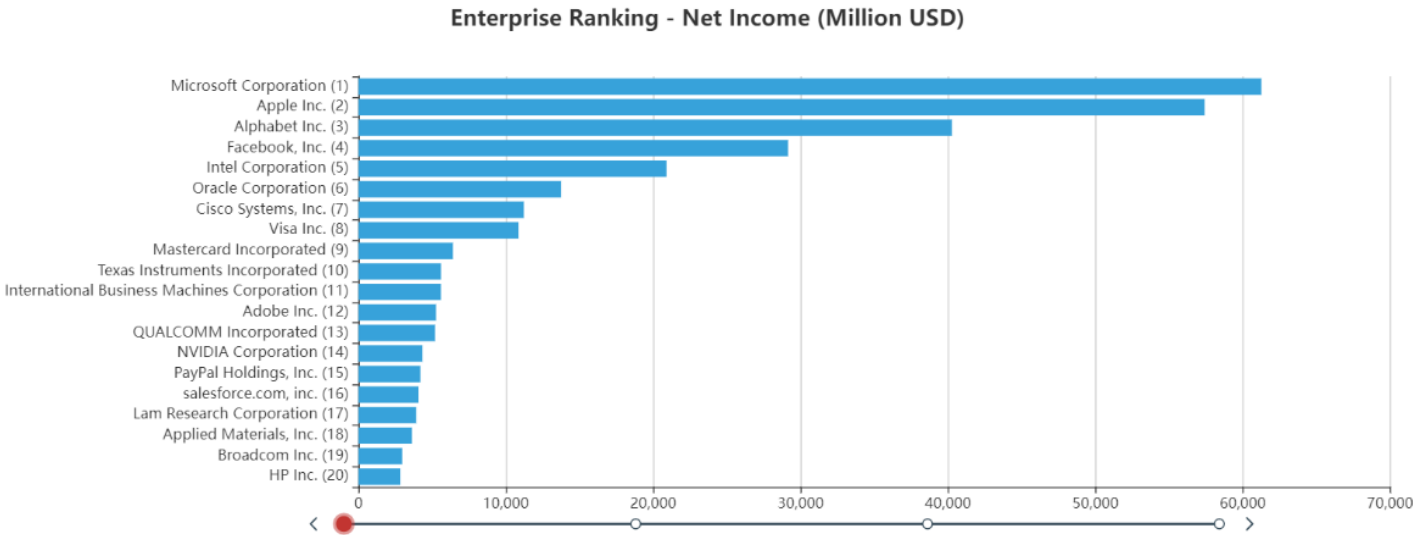
Higher the Liability to Asset ratio, higher is the risk. Therefore, we must consider choosing the companies with lowest Liability to Asset Ratio and highest Return on Assets. Texas Instruments tops this chart. We can also infer that most financial companies have very high liability to asset ratio and low return on assets.

Enterprise Trend - Profitability

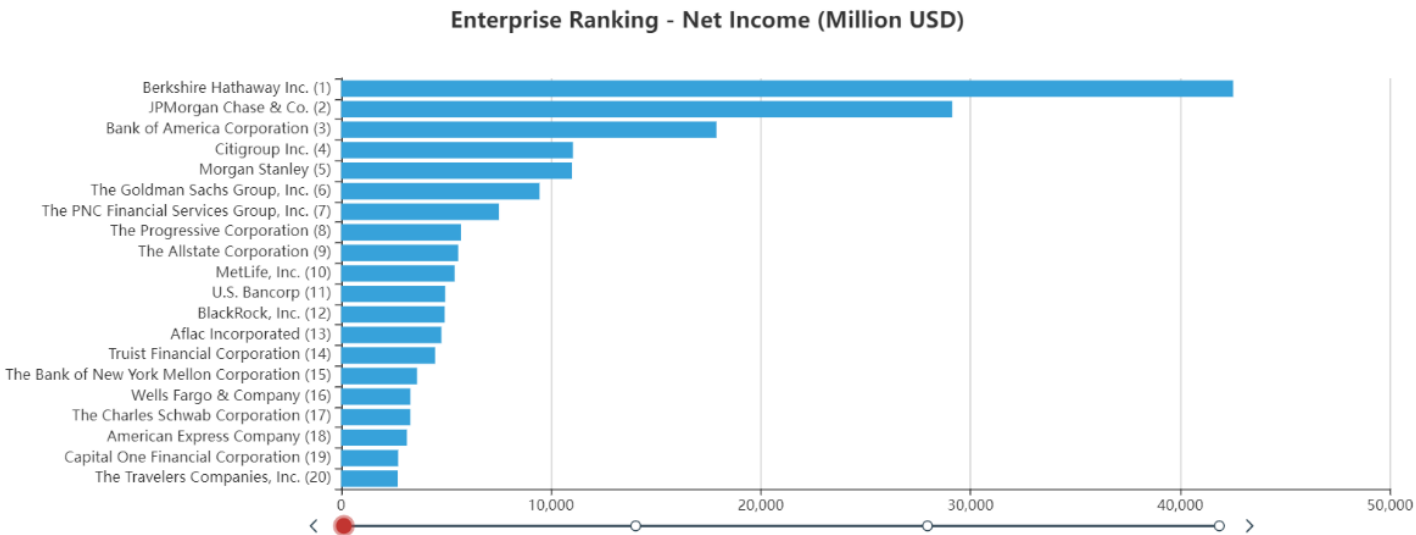


Here, S&P 500 top Financial and IT performers have been contrasted against each other. As we can see here, IT outperforms Finance enterprises in all sectors. The last chart makes it very clear that all the Finance enterprises have very small return on assets as compared to IT enterprises. Facebook and Apple are competing very closely.

IT Enterprise Ranking - Net Income



Finance Enterprise Ranking - Net Income



Conclusion

Thus it is concluded that overall, the IT industry outperforms the Finance industry in almost all aspects.

To find a high paying job with limited liability (risk) and more rewards, one could choose the IT industry and be based in California, Texas, Washington or New York.

Preferable companies would be Microsoft, Apple, Google and Facebook.