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7 of the Most Efficient Companies on the Planet

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These days, it's not all about working hard. It's more about working hard *and* efficiently. Why not apply that strategy to your investments?

To measure a company's efficiency, you can examine its return on equity (ROE). This ratio is composed of a company's profit margin multiplied by its asset turnover, multiplied by its financial leverage. It measures how efficiently the company employs its owners' capital. In a nutshell, it measures your bang per buck as an investor.

Take **Western Union** (NYSE: WU), which rocks a whopping ROE of 263% over the past four quarters. Or look at **Alliance Resource Partners** (Nasdaq: ARLP), which boasts an ROE of 55.1%.

Companies can juice their ROE by employing more debt, so it's important to consider a company's debt level when looking at ROE. All else equal, though, the higher the ROE, the better -- a higher ratio means a more efficient company, which means a more effective executive team when it comes to managing the business. It's companies like these you should consider for your portfolio.

To uncover some of the most efficient companies around, I did a screen using The Motley Fool's CAPS screening tool. I looked for companies with:

- CAPS ratings of five stars, the highest granted by our CAPS community.
- ROEs of 25% or greater.
- Market caps of $500 million or greater.

And *voila*! Here's what popped up from my screen:

Company	Market Cap	Return on Equity (TTM)
Abbott Laboratories (NYSE: ABT)	$85.9 billion	26.9%
Alliance Resource Partners	$1.6 billion	55.1%
Ebix (Nasdaq: EBIX)	$528.7 million	28.7%
Flowserve (NYSE: FLS)	$5.6 billion	25.2%
Huntsman (NYSE: HUN)	$2.9 billion	37.9%
Johnson & Johnson (NYSE: JNJ)	$176.5 billion	25.4%
Western Union	$13.4 billion	263%

Data from Motley Fool CAPS. TTM = trailing 12 months.

While the stock screener is a great tool, it should only be the first step in your investment research. Examining other levers of specific companies, such as return on invested capital, liquidity, and debt-to-equity ratios, will also help you determine if a company is right for your portfolio. When you include those other metrics in your analysis, you'll get a fuller picture of whether that company is worth buying.

Start increasing the efficiency of your investments at Motley Fool CAPS today. Let the collective wisdom of our 145,000-member-strong investment community help you make better investing decisions.

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