

# Appendix: Stock Market Ratios

## 1. Ordinary Share Values

$$\text{Nominal value (or Par value)} = \frac{\text{Dividend yield} \times \text{Market value}}{\text{Dividend \%}}$$

$$\text{Market Value} = \frac{\text{Nominal value} \times \text{Dividend \%}}{\text{Dividend yield}}$$

## 2. Dividend measures (before deduction of income tax)

$$\text{Dividend per share} = \frac{\text{Total dividend (gross)}}{\text{Number of shares}}$$

$$\text{Or } \text{Nominal value} \times \text{Dividend \%}$$

$$\text{Dividend percentage} = \frac{\text{Dividend yield} \times \text{Market value}}{\text{Nominal value}}$$

$$\text{Or } \frac{\text{Dividend per share}}{\text{Nominal value of an ordinary share}}$$

$$\text{Or } \frac{\text{Total dividends (gross)}}{\text{Total nominal value of issued ordinary shares}}$$

$$\text{Dividend Yield} = \frac{\text{Nominal value} \times \text{Dividend \%}}{\text{Market value}}$$

$$\text{Or } \frac{\text{Dividend per share} \times 100}{\text{Market value of an ordinary share}}$$

$$\text{Or } \frac{\text{Total dividend} \times 100}{\text{Total market value of ordinary shares (i.e. market capitalisation)}}$$

## 3. Earning Measures (net of corporation tax)

$$\text{Return on capital employed (ROCE)} = \frac{\text{Profits after tax minus preference dividend (gross)} \times 100}{\text{Balance sheet value of ordinary shares plus reserves}}$$

$$\text{Earnings per share (EPS)} = \frac{\text{Profits after tax and preference dividend (gross)}}{\text{Number of shares}}$$

$$\text{Earnings Yield} = \frac{\text{Earnings per share} \times 100}{\text{Market value of an ordinary share}}$$

$$\text{Or } \frac{\text{Profits after tax and preference dividends (gross)} \times 100}{\text{Market capitalisation}}$$

$$\text{Price/ Earnings ratio (P/E)} = \frac{1}{\text{Earnings yield}}$$

$$\text{Or } \frac{\text{Market value of an ordinary share}}{\text{Earning per share}}$$

$$\text{Or } \frac{\text{Market capitalisation}}{\text{Profits after tax and preference dividend (gross)}}$$

## 4. The Relationship Between Dividends and Earnings

$$\text{Dividend cover} = \frac{\text{EPS}}{\text{Dividend per share}}$$

$$\text{Or } \frac{\text{Profits after tax and preference dividends (gross)}}{\text{Total dividend}}$$

$$\text{Dividend payout ratio} = \frac{1}{\text{Dividend cover}} \times 100$$

$$\text{Or} \quad \frac{\text{Dividend per share}}{\text{EPS}} \times 100$$

$$\text{Or} \quad \frac{\text{Total dividends}}{\text{Profit after tax and preference Dividends (gross)}} \times 100$$

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