

The Stock Exchange Corner

The Summary of Financials Explained

by George Edwards

Two tables are presented weekly in the Stabroek Business under the heading "Stock Market Updates". These are the GASCI Market Journal and the GASCI Summary of Financials. We looked at the Market Journal last week, so we shall examine the Summary of Financials this week.

Stock

This column contains the abbreviations for the names of the companies that are listed on the Stock Exchange. The full names of these companies were given when we explained the Market Journal last week.

Last Trade Price

This is the same information that is presented in the Market Journal. It is the price at which the last trade in a particular share was made in this session e.g. the last trade in DDL shares was made at \$8.00.

EPS

This is the abbreviation for "Earnings per Share". This is calculated as follows:

Net profit or loss attributable to ordinary shareholders

The weighted average number of ordinary shares outstanding during the period

If there were no changes in the number of shares during the period, then the denominator in the calculation would simply be **the number of ordinary shares outstanding during the period**. If there were changes then **the weighted average number of ordinary shares outstanding during the period** would be calculated considering the shares outstanding per month as a fraction of the year as follows:

Assume that a company had the following transactions during the year:

Issued 100,000 shares January 1

Issued a further 50,000 shares July 1 and

Bought back 30,000 shares on September 1.

Number of ordinary shares outstanding	Fraction of year	Weighted Average Number of ordinary shares outstanding
100,000	6/12 (Jan – Jun)	50,000
150,000	2/12 (Jul – Aug)	25,000
120,000	4/12 (Sep - Dec)	<u>40,000</u>

Weighted average number of ordinary shares outstanding during the period 115,000

Therefore if this company had a net profit of \$230,000, then the earnings per share (EPS) would be: **\$230,000 divided by 115,000 = \$2**

The investor is able to compare the EPS from year to year. Of course, companies strive to increase the EPS annually.

P/E Ratio

This is the abbreviation for **price/earnings ratio**. This expresses the market price of the share as a multiple of the EPS and is calculated as follows:

Market price per share

Earnings per share

This is an indicator of how the stock market assesses the company and enables potential investors to form an opinion on whether the expected future earnings make the share a worthwhile investment. In this week's financials, BTI has a P/E ratio of 9.8 calculated as:

$$\text{Market price per share } (\$75.00) \text{ divided by Earnings per Share } (\$7.67) = 9.8$$

This says that at this time, investors are willing to pay 9.8 times the Earnings per Share for a GBTI share.

Dividends Paid in Last 12 Months

This is straightforward and means just what it says. Some companies pay interim dividends during the year e.g. at the half-year and at the end of the year. These two figures are added to give you the total dividends paid in the last 12 months.

Dividend Yield

This measures the real rate of return on your investment in a share and is calculated as follows:

Gross dividend per share

Market price per share

If we look at this week's figures for DDL, the dividend yield is calculated by dividing the Gross dividend per share (Dividends paid in last 12 months) by Market price per share.

$$0.37/8.0 = 0.04625$$

We may express this as a percentage by multiplying by 100, we would then have:

$$0.04625 \times 100 = 4.625\% \text{ or } \$4.6\% \text{ to one decimal place}$$

In other words, if we had paid \$8.00 for a DDL share, our dividend yield would have been 4.6% and in Guyana, we would have paid no tax on the dividend.

Notes

This refers to the notes given below the GASCI Summary of Financials table. The notes are self-explanatory.

Next week: Some Disclosures required by the Securities Industry Act

N.B. – More information may be accessed on our website: www.gasci.com