

EPS

Earnings per share (EPS) is a key financial metric that shows how much profit a company earns for each of its outstanding shares.

Basic EPS represents the amount of profit available to each common shareholder. It reflects the company's actual earnings performance based only on the existing shares, without considering any future dilution from convertible securities.

Calculated as

$$\frac{(\text{Net Income} - \text{Preferred Dividends})}{\text{Weighted Average Outstanding Shares}}$$



Diluted EPS means earnings per share calculated after considering all potential shares that could be created from convertible securities like convertible bonds, warrants, options, etc.

Calculated as

$$\frac{(\text{Net Income} - \text{Preferred Dividends})}{\text{Weighted Average Outstanding Shares} + \text{Potential Dilutive Shares}}$$

