

Macro Roundup Article

Headline: [Data Update 5 for 2025: Profitability - The End Game for Business?](#)

Article Link: <https://aswathdamodaran.substack.com/p/data-update-5-for-2025-profitability>

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Publication	Musings on Markets
Publication Date	February 01, 2024

Tweet: .@AswathDamodaran finds that in 2023, 73% of profitable US public firms had returns on equity that exceeded their cost of equity, vs 50% of profitable global public firms. However, only 37% of US public firms were profitable vs. 54% of global firms.

Summary: I bring together the costs of equity and capital and the accounting returns to answer a critical question that every business faces; whether the returns earned on its investment exceed its hurdle rate. In computing excess returns, I did add a qualifier, which is that I would do the comparison only among money-making companies; after all, money-losing companies will have accounting returns that are negative and less than hurdle rates. With each sector, to assess profitability, you have to look at the percentage of companies that make money and then at the percent of these money-making firms that earn more than the hurdle rate. In the most sobering statistic, if you aggregate money-losers with the companies that earn less than their hurdle rates, as you should, there is not a single sector or region of the world, where a majority of firms earn more than their hurdle rates. In 2023, close to 80% of all firms globally earned returns on capital that lagged their costs of capital. Related: Data Update 3 for 2024: A Rule-breaking Year for Interest Rates and Long-Term Shareholder Returns: Evidence From 64,000 Global Stocks and Stocks For The Long Run? Sometimes Yes, Sometimes No

Primary Topic: Financial Markets

Topics: Financial Markets, GDP, Op-Ed/Blog Post, Weekly

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