

# AI-00961 EPS Growth vs Performance

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## What is the truth about the statement:

**"Nearly 40 years of research have shown that the change in the growth of earnings per share is an important factor that drives stock price performance"**

The statement is mostly true. Here's a breakdown:

- **Earnings per share (EPS):** This is a key financial metric that shows how much profit a company makes for each outstanding share of stock. Investors use it to gauge a company's profitability and growth potential.
- **Change in EPS growth:** This refers to how the rate of EPS growth is trending. A company with rising EPS growth is generally considered more attractive than one with stagnant or declining growth.

## Research supports the statement:

- Decades of research have indeed shown a connection between EPS growth and stock price performance. Companies with consistent and rising EPS tend to see their stock prices appreciate over time.

## However, it's not the only factor:

- The stock market is complex, and many other factors can influence stock prices. These include:
  - Overall market sentiment
  - Industry performance
  - Interest rates

- Economic conditions
- Company news and events

**So, while EPS growth is an important indicator, it's just one piece of the puzzle.**

Investors should consider a holistic view when making investment decisions.