STOCKMARKET MASTERY

Your Trading Club Online Course

Debt to Equity

Dennis Sahlström

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Debt to equity is a ratio used to evaluate a company's financial leverage and is calculated by dividing the companies total liabilities by the shareholder equity

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What is the PEG ratio

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How PEG Ratio is calculated

$$\text{PEG Ratio Formula} = \frac{\text{P/E Ratio}}{\text{Earnings Growth Rate}}$$

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The PEG ratio is a measure of a stocks price relative to its expected earnings growth

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Return on Equity, Asset and Invested Capital

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Return on equity (ROE) is a measure of a company's financial performance by dividing the net income by shareholders equity

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Investors can use ROA (return on assets) to determine how efficient a company is at using its assets to generate a profit

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Return on invested capital (ROIC) is a calculation used to assess a companies efficiency in allocating capital in to profitable investments. ROIC is calculated by dividing net profit after tax by the invested capital

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Revenues and Net Income

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Revenue is the money generated from normal business operations

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Net income is calculated by deducting all costs and expenses from the company's revenue

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What is EPS

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Earnings per share (EPS) is calculated as a company's profit divided by the number of shares outstanding

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What is Market Cap

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Market capitalisation is the total value of all outstanding shares of a company

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Market cap categories

- Mega cap = $200 billion or more
- Large-cap = between $10 billion and $200 billion
- Mid cap = between $2 billion and $10 billion
- Small cap = between $300 million and $2 billion
- Micro cap = between $50 million and $300 million

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A blue chip refers to an established, well recognised corporation. Blue chip stocks are typically large companies that fall into the large or mega cap categories

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What is the P/E Ratio

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The P/E ratio stands for price to earnings and is the ratio for valuing a company by measuring its current share price to the earnings per share

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Generally speaking, a lower P/E means you are getting better value in a company compared to one with a higher P/E

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