# Financial Glossary



## Dividend Yield

The dividend yield is the sum of a company's annual dividends per share, divided by the current price per share. By investing in companies with stable and high dividend yields, investors can secure a relatively stable cash flow. However, dividend yields can be high when a company is facing financial trouble, and the company may cut the dividend in the near future.

For example, if a stock trades at $36 and pays $1.80 in dividends over the course of one year ($.45 per quarter), the company's dividend yield is 5%.

For more information on evaluating valuation multiples similar to this, please see our original white paper research : Making Sense Of Valuation Multiples.

### Formula

Dividend Yield = Annualized Dividends Per Share / Stock Price

Notes to the calculation:

1) YCharts calculates the dividend yield as the sum trailing twelve months of common dividends per share divided by the current price per share. The trailing twelve month period ends at the date the most recent dividend was paid, as opposed to the date of the price quote used in the calculation.

2) We allow a dividend yield to persist for 365 days after the most recent reported dividend if a dividend is cut. Hence, this data should not be used for backtesting purposes. For true historical testing purposes, one would need the date the company announced a cut or increase in the dividend to get the proper expected dividend yield as of a given date.

### Analysis Tutorial

**Related Terms**

Current Yield

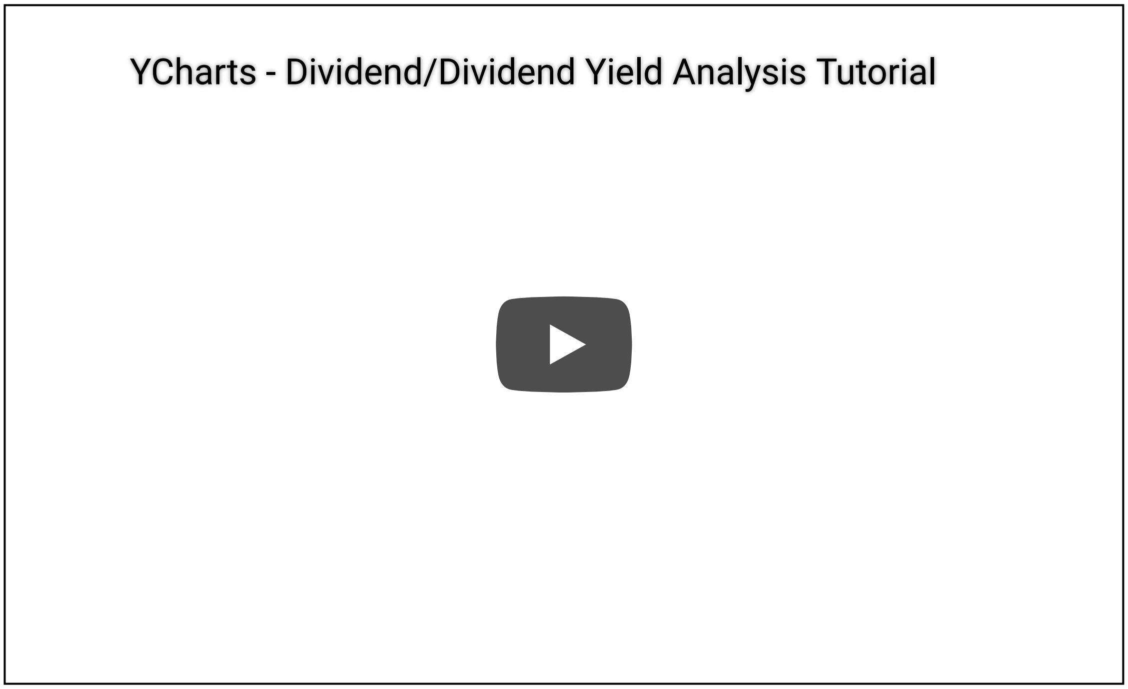
Dividend Per Share

Free Cash Flow Yield

PEGY Ratio

Return

Stock Buyback


YCharts - Dividend/Dividend Yield Analysis Tutorial