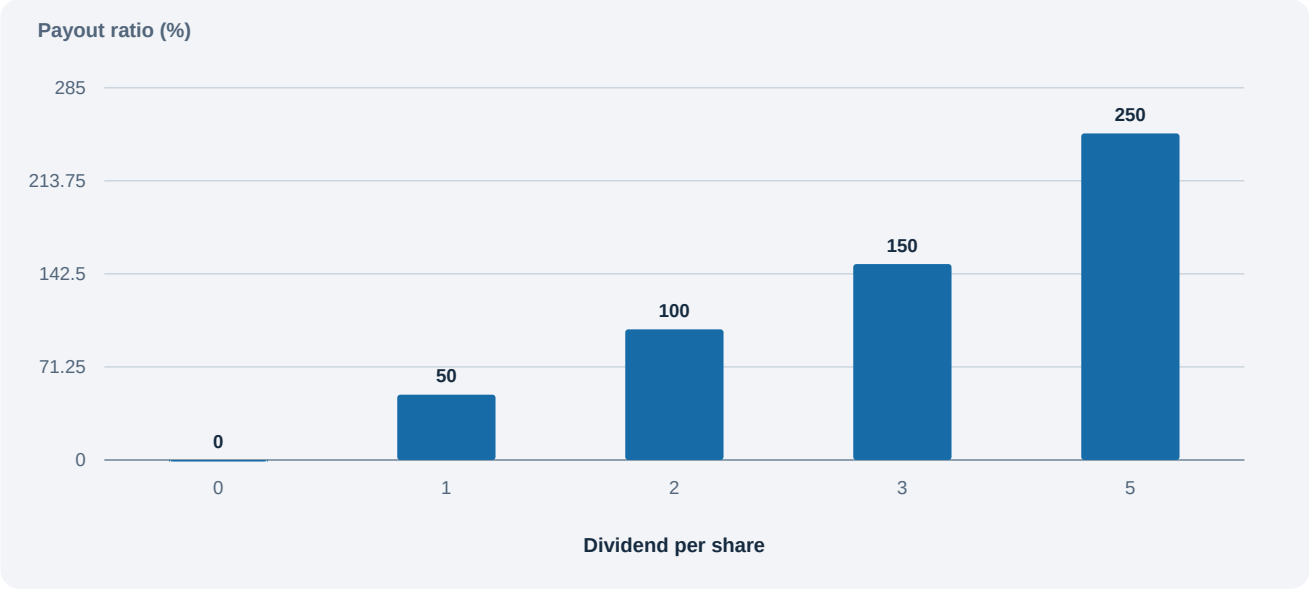
Dividend payout from earnings

Fundamental ratios | Original synthetic example | Edition 2026-11-26

A payout ratio compares dividends with earnings on a consistent per-share or total-company basis. A ratio above one means the stated dividend exceeds the stated earnings measure.

FORMULA Payout ratio = dividends / earnings

SCENARIO 01: Positive same-period EPS 2



WORKED EXAMPLE

Dividend 2 divided by EPS 2 gives payout 100%. A value above 100% exceeds the stated earnings.

COMMON MISTAKE

Interpreting payout against negative or near-zero earnings like an ordinary positive ratio can mislead.

BEFORE YOU USE THE CALCULATION

1. Use matching periods and share basis.
2. Check earnings quality.
3. Compare cash generation and financing needs.

COMPARE TWO MORE INPUT SETS

Scenario 05: Positive same-period EPS 4. Dividend 2 divided by EPS 4 gives payout 50%. A value above 100% exceeds the stated earnings.

Scenario 10: Positive same-period EPS 6.5. Dividend 2 divided by EPS 6.5 gives payout 30.77%. A value above 100% exceeds the stated earnings.

Synthetic values are not historical market data. Educational material; trading can result in substantial losses.