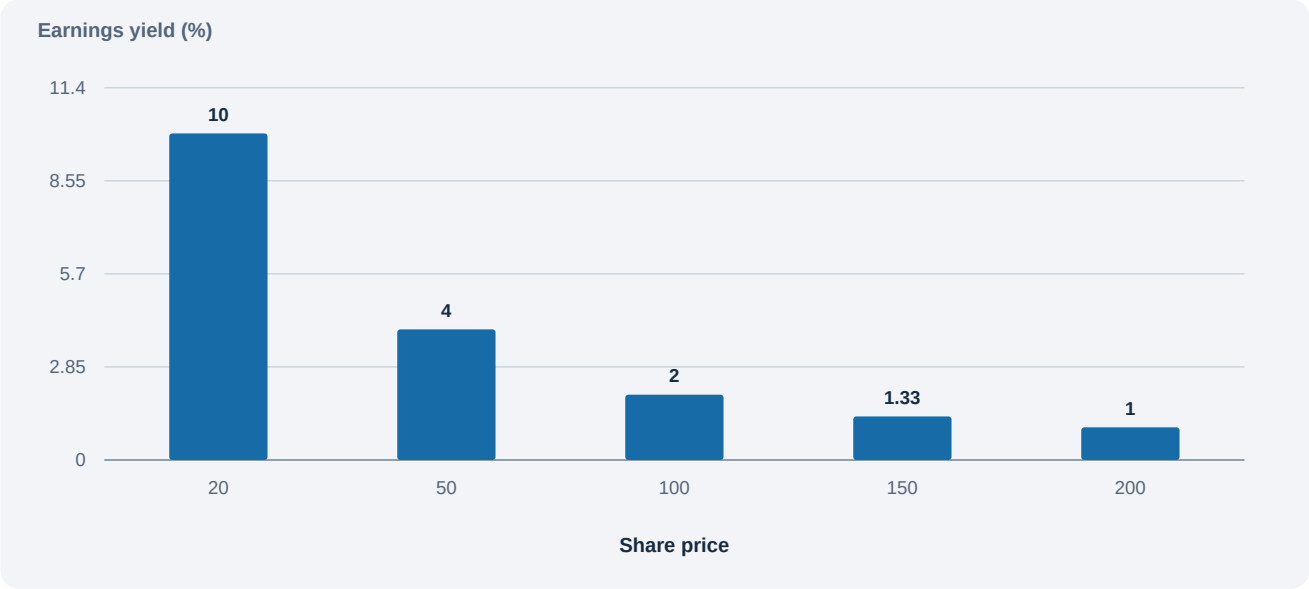
Earnings yield at a quoted price

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

Earnings yield divides positive earnings per share by share price. For the same positive inputs it is the reciprocal of the price-to-earnings ratio, but it is not a promised cash return.

FORMULA Earnings yield = EPS / share price

SCENARIO 01: Annual EPS 2; compare positive share prices



WORKED EXAMPLE

EPS 2 at price 100 gives 2% earnings yield. It is an accounting ratio, not a promised cash return.

COMMON MISTAKE

Equating accounting earnings yield with a guaranteed investor return ignores valuation changes and distributions.

BEFORE YOU USE THE CALCULATION

1. Use the same EPS period as the comparison.
2. Require a positive share price.
3. Separate accounting earnings from cash paid out.

COMPARE TWO MORE INPUT SETS

Scenario 05: Annual EPS 6; compare positive share prices. EPS 6 at price 100 gives 6% earnings yield. It is an accounting ratio, not a promised cash return.

Scenario 10: Annual EPS 11; compare positive share prices. EPS 11 at price 100 gives 11% earnings yield. It is an accounting ratio, not a promised cash return.

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