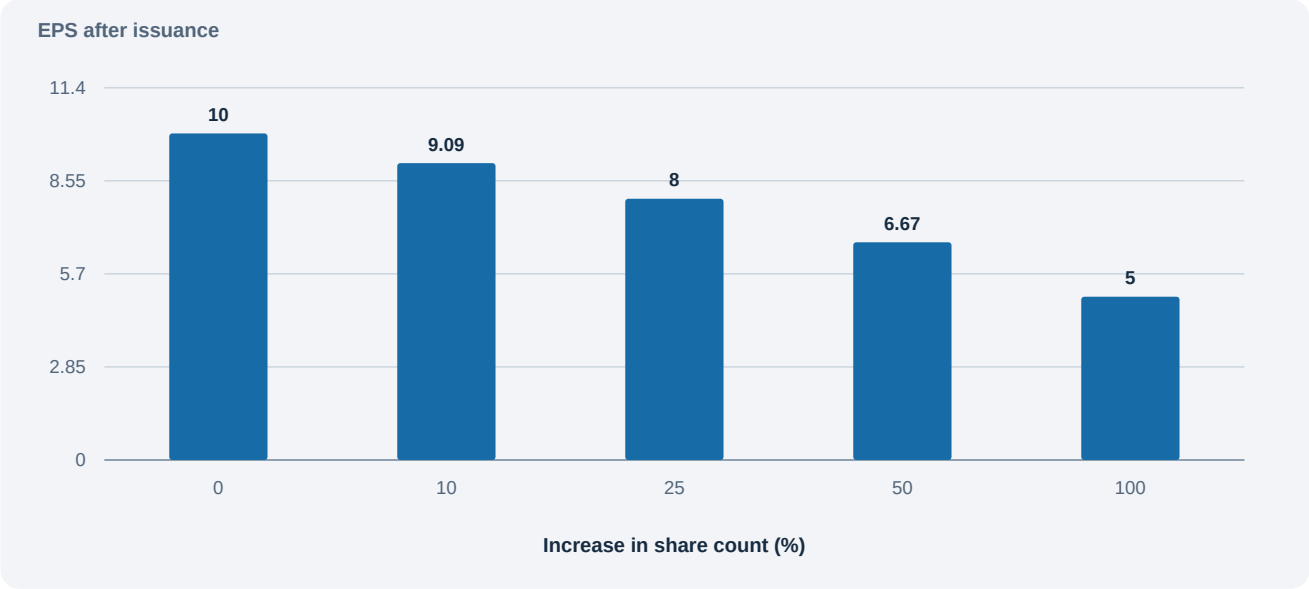
Share-count dilution of fixed earnings

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

If total common earnings remain fixed while common shares increase, earnings per share falls. This isolates the arithmetic effect of dilution and excludes benefits or costs from new capital.

FORMULA EPS after issuance = unchanged earnings / enlarged share count

SCENARIO 01: Earnings fixed at 1000000; initial shares 100000



WORKED EXAMPLE

Adding 25% to the share count leaves 1000000 / 125,000 = 8 EPS, assuming unchanged earnings.

COMMON MISTAKE

Assuming an issuance changes only the denominator ignores what the company does with the proceeds.

BEFORE YOU USE THE CALCULATION

1. State unchanged-earnings assumption.
2. Use the enlarged share count.
3. Evaluate economic effects separately from arithmetic.

COMPARE TWO MORE INPUT SETS

Scenario 05: Earnings fixed at 1400000; initial shares 100000. Adding 25% to the share count leaves 1400000 / 125,000 = 11.2 EPS, assuming unchanged earnings.

Scenario 10: Earnings fixed at 1900000; initial shares 100000. Adding 25% to the share count leaves 1900000 / 125,000 = 15.2 EPS, assuming unchanged earnings.

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