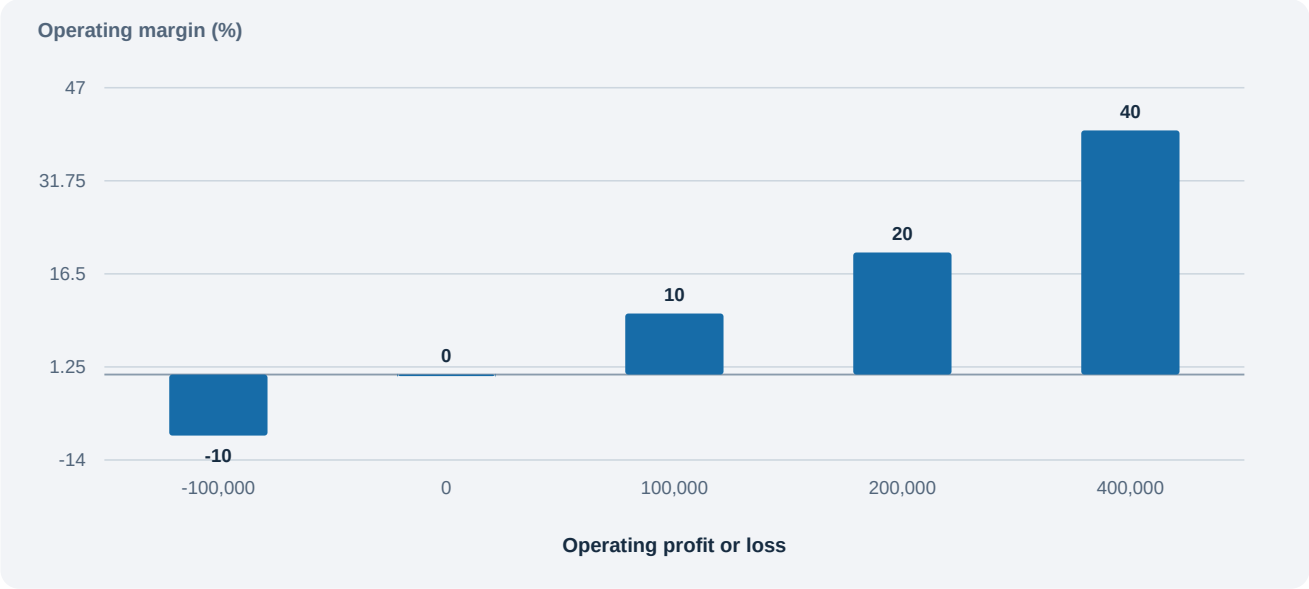
Operating profit margin

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

Operating margin divides operating profit by revenue for the same accounting period. It measures profit remaining after the operating expenses included in that profit definition.

FORMULA Operating margin = operating profit / revenue

SCENARIO 01: Same-period revenue 1000000



WORKED EXAMPLE

Operating profit 100,000 on revenue 1000000 gives margin 10%. The profit definition must remain consistent.

COMMON MISTAKE

Comparing adjusted profit with unadjusted revenue or different reporting scopes can distort the ratio.

BEFORE YOU USE THE CALCULATION

1. Use a consistent profit definition.
2. Match periods and business scope.
3. Inspect unusual operating items.

COMPARE TWO MORE INPUT SETS

Scenario 05: Same-period revenue 2000000. Operating profit 100,000 on revenue 2000000 gives margin 5%. The profit definition must remain consistent.

Scenario 10: Same-period revenue 3250000. Operating profit 100,000 on revenue 3250000 gives margin 3.08%. The profit definition must remain consistent.

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