

11. Market Values and Book Values

11.1.1 Per Share Ratios

Book Value Per Share Ratios

Book value per Common Share

$$(71) \quad \frac{\text{Shareholders's Equity Applicable to Common Shares}}{\text{Number of Common Shares Outstanding}}$$

It measures book value per share.

Basic Earnings Per Share

$$(72) \quad \frac{\text{Net Income - Preferred Dividends}}{\text{Number of Common Shares Outstanding}}$$

It measures earnings for common stockholders per share. Quarter

Market Value Per Share Ratios

Price-earnings Ratio

$$(73) \quad P/E = \frac{\text{Market Price per Common Share}}{\text{Earnings per Share}}$$

It measures market price of a unit of earnings.

Dividend Yield

$$(74) \quad DY = \frac{\text{Annual Dividends per Share}}{\text{Market Price per Share}}$$

It measures dividends per share.

Enterprise Value

Enterprise Value = Market Cap + Debt + Minority Interest + Preferred Shares – Cash and Cash Equivalents

Task 11

1. Calculate book value per share ratios
2. Calculate market value per share ratios.
- 3 Calculate enterprise value ratios.

Problem 26. Book Value per Share Ratios

| | | | |
|--|----------------------|----------------------|----------------------|
| Required: | | | |
| (a) Calculate book value per common share. | | | |
| (b) Calculate basic earnings per common share. | | | |
| | | | |
| Solution | | | |
| | <i>Dec. 31, 2014</i> | <i>Dec. 31, 2013</i> | <i>Dec. 31, 2012</i> |
| Number of Common Shares Outstanding | 4 366 000 000 | 4 402 000 000 | 4 469 000 000 |
| <i>Book value per Common Share</i> | | | |
| Shareholders' Equity Applicable to Common Shares | | | |
| Number of Common Shares Outstanding | 6,94 | 7,54 | 7,34 |
| <i>Basic Earnings Per Share</i> | | | |
| Net Income | 7 124 | 8 626 | 9 086 |
| Net Income- Preferred Dividends | 1,63 | 1,96 | 2,03 |
| Number of Common Shares Outstanding | | | |

Problem 27. Market Value per Share Ratios

| | | | |
|--------------------------------------|----------------------|----------------------|----------------------|
| Required: | | | |
| (a) Calculate market price per share | | | |
| (b) Calculate price-earnings ratio | | | |
| (c) Calculate dividend yield | | | |
| | | | |
| Solution | | | |
| | <i>Dec. 31, 2014</i> | <i>Dec. 31, 2013</i> | <i>Dec. 31, 2012</i> |
| Market Cap | 184 928 364 569 | 182 421 768 100 | 162 587 104 593 |
| Market price per share | 42,36 | 41,44 | 36,38 |
| Earnings per share | 1,63 | 1,96 | 2,03 |
| P/E | 26,0 | 21,1 | 17,9 |
| Dividends per share | 1,23 | 1,13 | 1,03 |
| Dividend yield | 2,89% | 2,72% | 2,83% |

Problem 28. Enterprise Value Ratios

| | | | |
|---|----------------------|----------------------|----------------------|
| Required: | | | |
| (a) Total Debt To Enterprise Value | | | |
| (b) Net Debt To Enterprise Value | | | |
| (c) Enterprise Value To Sales | | | |
| (d) Enterprise Value To EBITDA | | | |
| (e) Enterprise Value To EBIT | | | |
| (f) Enterprise Value To Operating Cash Flow | | | |
| | | | |
| Solution | | | |
| | <i>Dec. 31, 2014</i> | <i>Dec. 31, 2013</i> | <i>Dec. 31, 2012</i> |
| Enterprise Value | 205 239 | 199 500 | 179 024 |
| Total Debt To Enterprise Value | 0,30 | 0,29 | 0,30 |
| Net Debt To Enterprise Value | 0,10 | 0,09 | 0,09 |
| Enterprise Value To Sales | 4,46 | 4,26 | 3,73 |
| Enterprise Value To EBITDA | 17,57 | 16,35 | 14,03 |
| Enterprise Value To EBIT | 21,14 | 19,51 | 16,61 |
| Enterprise Value To Operating Cash Flow | 19,33 | 18,92 | 16,82 |