Shares & Dividends

Intermediate value

= dividend valuation method

$$\text{Value per share} = P_0 = \frac{d_0\,(1+g)}{r_e - g} \qquad \text{(formula given)}$$

r_e refers to the return on equity which is the same as the cost of equity (k_e).

D_0 = Dividend

P_0 = Amount shareholders are prepared to pay per share now

Total Shareholder Return

Dividend Yield + Capital Gain or $\dfrac{\text{Dividend + Change in Share Price}}{\text{Share Price at Start of the Year}}$

Earnings per Share

$$\frac{\textbf{Profit after Tax – Dividend paid on Preference Shares}}{\textbf{Number of ordinary shares issued}}$$

Price / Earning Ratio

$$\frac{\text{Market price per share}}{\text{EPS}}$$

Earnings Yield

$$\frac{\text{EPS}}{\text{Market price per share}}$$

Dividend per Share

$$\frac{\text{EPS}}{\text{Dividend Cover}} \quad \text{or} \quad \frac{\text{Dividends}}{\text{Nr of Shares}}$$

TERP

Theoretical Ex Rights Price

$$= \frac{\text{(No. of old shares x old share price) + (No. of new shares x New share price)}}{\text{Total no. of shares (old + new)}}$$

Dividend Yield

$$\frac{\text{Dividend per share}}{\text{Market price per share}} \times 100$$

Dividend Cover

$$\frac{\text{Profit after Tax – Dividend paid on Preference Shares}}{\text{Dividend paid to Ordinary Shareholders}}$$