Investment Ratios

Ratios	Formula
Earnings per Share (EPS)	$\frac{Net\ Profit - Preference\ dividend}{No.of\ C.S.Outstanding}$
Earnings Yield	$\frac{Earnings\ per\ Share}{Price\ per\ Share} * 100$
Price Earnings Ratio (PE)	$\frac{Market\ Price\ per\ Share}{EPS}$
Return on Equity	$\frac{Net\ Profit - Preference\ dividend}{Equity\ Shareholder's Investment}$

Earnings per Share		
	2013	**2014**
GSK	1.125	0.573
AstraZeneca	1.31	0.6

In 2014, GSK's and AstraZeneca's common shareholders have earned £ 0.573 and £ 0.60for every share they bought. Performance is satisfactory. Net profit has decreased, that's why EPS has fallen for both the companies significantly. The difference between both the EPS is very small.

Price Earnings Ratio		
	2013	**2014**
GSK	14.33	24.01
AstraZeneca	8.66	24.10

Earnings Yield		
	2013	**2014**
GSK	6.98%	4.16%
AstraZeneca	11.54%	4.15%

In 2014, the shareholders of GSK and AstraZeneca were willing to pay £24.01 and £24.10, respectively, for every pound of reported earnings. GSK's P/E ratio has increased because relative decrease in market price per share was much lower than relative decrease in EPS. As for AstraZeneca, the market price of the shares rose and EPS fell, which resulted in an increase in P/ ratio.

Appendix A

Gross profit Margin

GSK

2013

$$\frac{17920}{26505} * 100 = 67.6\%$$

2014

$$\frac{15683}{23006} * 100 = 68\ \%$$

AstraZeneca

2013

$$\frac{13084}{16450} * 100 = 80\%$$

2014

$$\frac{12302}{15850} * 100 = 78\%$$

Net Profit Margin

GSK

2013

$$\frac{5628}{26505} * 100 = 21\%$$

AstraZeneca

2013

$$\frac{1645}{1190} = 1.3$$

2014

$$\frac{750}{1329} = .6$$

Earnings Yield

GSK

2013

$$\frac{1.1}{16.12} * 100 = 6.98\%$$

2014

$$\frac{0.57}{13.76} * 100 = 4.16\%$$

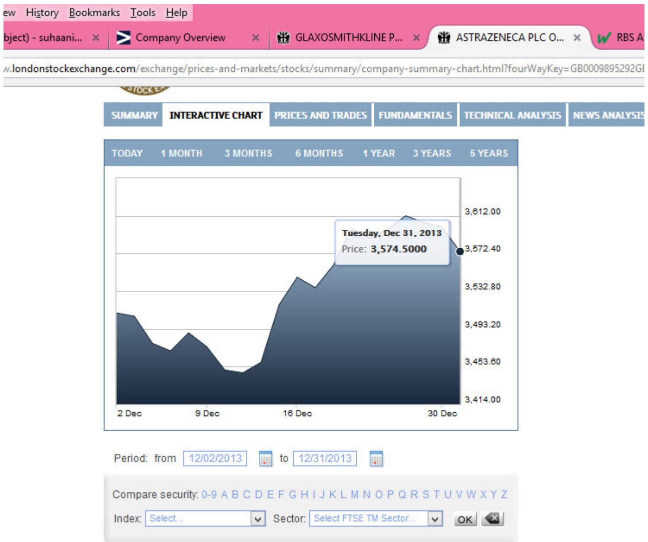
AstraZeneca

2013

$$\frac{1.31}{11.35} * 100 = 11.54\%$$

2014

$$\frac{0.6}{14.46} * 100 = 4.14\%$$



The price was £3574 in 31st December 2013 and £4555 in 31st December 2014.
This was divided by the number of outstanding shares given in the annual report.
Price per share 2013: £11.35
Price per share 2014: £14.46