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## Valuation Metrics “Cheat Sheet”

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**Share price** = the most recent price at which an investment has traded

A company that shows long-term earnings potential may attract more buyers, increasing its share price. But don't assume that a high price means a great company – shareholders are often subject to herd mentality, meaning that people see others buying and buy as a result, potentially pushing a company's stock's price very high and overvaluing its stock.

**Market Capitalization or Market Value** = company's shares outstanding x share price  
Think of this as an investor-determined measurement of a company's size.

**Enterprise Value (EV)** = market value of common stock + market value of preferred equity + market value of debt + minority interest - cash and investments  
More comprehensive or accurate measure of company's value than market cap – theoretical “takeover price.”  
Useful in uncovering large debt obligations/cash holdings.

**Revenue** = price of goods sold x number of units sold  
Measure of the company's volume of sales of goods or services.

**Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA)** = Revenue - Expenses (excluding tax, interest, depreciation and amortization)  
Measures the company's net income excluding effects of financing and accounting decisions.

### EV/EBITDA

Compares the value of a company, debt included, to the company's cash earnings less noncash expenses. This can be a more accurate portrayal of company's profitability as it takes into account the company's size in the form of its EV. The smaller the ratio (meaning higher earnings), the better.

**Return on Equity (ROE)** = Net Income / Shareholder's equity  
Estimates how much profit a company generates with the money shareholders have invested.

**Price to Earnings Ratio (P/E)** = Market Value per Share / Earnings per Share  
Measures a company's current share price relative to its per-share earnings. The smaller the ratio, the better.

**Price to Sales Ratio (P/S)** = Market Capitalization / Sales over previous 12-month period (TTM)  
Measures a company's total value relative to its total revenues over the past year.

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## Additional Metrics

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**Return on Assets (ROA)** = Net Income / Total Assets  
Estimates how much profit a company generates with the assets they have.

**Current Ratio** = Current Assets / Current Liabilities  
Measures liquidity and indicates whether a company will be able to pay short term obligations. Higher than 1 is more liquid.

**If you need more help, try checking out Investopedia, which is an extremely useful resource!**