

■ The DuPont identity (1/4)

What Is the DuPont Identity?

The DuPont identity is an expression that shows a company's return on equity (ROE) can be represented as a product of three other ratios: the profit margin, the total asset turnover, and the equity multiplier.

$$ROE = \left(\frac{\text{Risultato Netto}}{\text{Ricavi Di Vendita}} \right) \times \left(\frac{\text{Ricavi Di Vendita}}{\text{Totale Attività}} \right) \times \left(\frac{\text{Totale Attività}}{\text{Capitale Proprio}} \right)$$



Profit Margin = Net
Income ÷ Revenue

Total Asset Turnover =
Revenue ÷ Total Assets

Equity Multiplier = Total
Assets ÷ Shareholder
Equity)

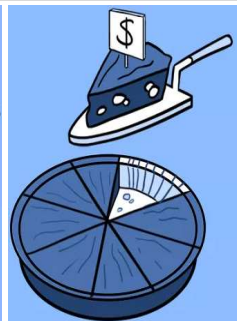
Return On Assets (ROA) = Net
Income ÷ Total Assets



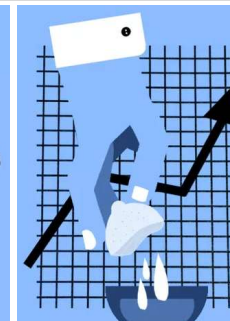
Business English Dictionary




Return On Assets
[ri-'tərn 'ɒn 'ɑːsɪts]
A financial ratio that indicates how profitable a company is in relation to its total assets.



Profit Margin
['prɒf-ɪt 'mɑːr-ʒən]
A measure of a company's profitability, expressed as the percentage of revenue that the company keeps as profit.



Asset Turnover Ratio
[ɑːsɪt 'tərn-ɒv-ər 'rā-shē-ō]
An efficiency metric that represents a company's ability to generate revenue from its assets.



Equity Multiplier
[e-'kwə-tē 'māl-tə-plī(-ə)]
A measure of the portion of a company's assets that is financed by stock rather than debt.