

■ 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.

$$ROE = \left(\frac{RisultatoNetto}{RicaviDiVendita} \right) \times \left(\frac{RicaviDiVendita}{Totale Attività} \right) \times \left(\frac{Totale Attività}{Capitale Proprio} \right)$$



Profit Margin = Net Income \div Revenue

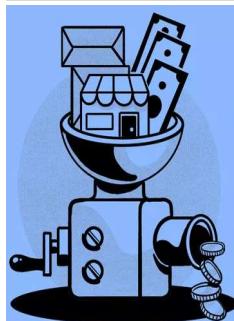
Total Asset Turnover = Revenue \div Total Assets

Equity Multiplier = Total Assets \div Shareholder Equity)

Return On Assets (ROA) = Net Income \div Total Assets



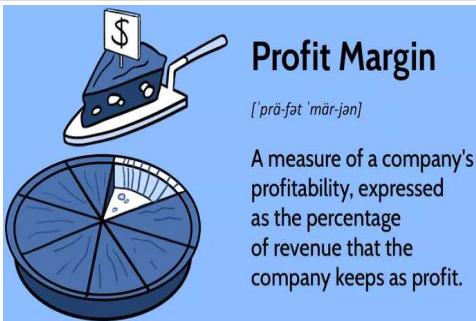
Business English Dictionary



Return On Assets

[ri-'*tɔːrn* 'ón 'a-sets]

A financial ratio that indicates how profitable a company is in relation to its total assets.



Profit Margin

['*prə-fət* 'mär-jən]

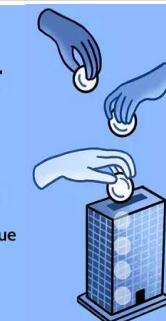
A measure of a company's profitability, expressed as the percentage of revenue that the company keeps as profit.



Asset Turnover Ratio

[ə-*set* 'tərn-ə-vər 'rā-shē-ə]

An efficiency metric that represents a company's ability to generate revenue from its assets.



Equity Multiplier

['*e-kwə-tə* 'məl-tər-pli(ə)r]

A measure of the portion of a company's assets that is financed by stock rather than debt.