World Investor Week 2022

WORLD INVESTOR WEEK 2022

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INTERNATIONAL ORGANIZATION OF SECURITIES COMMISSIONS

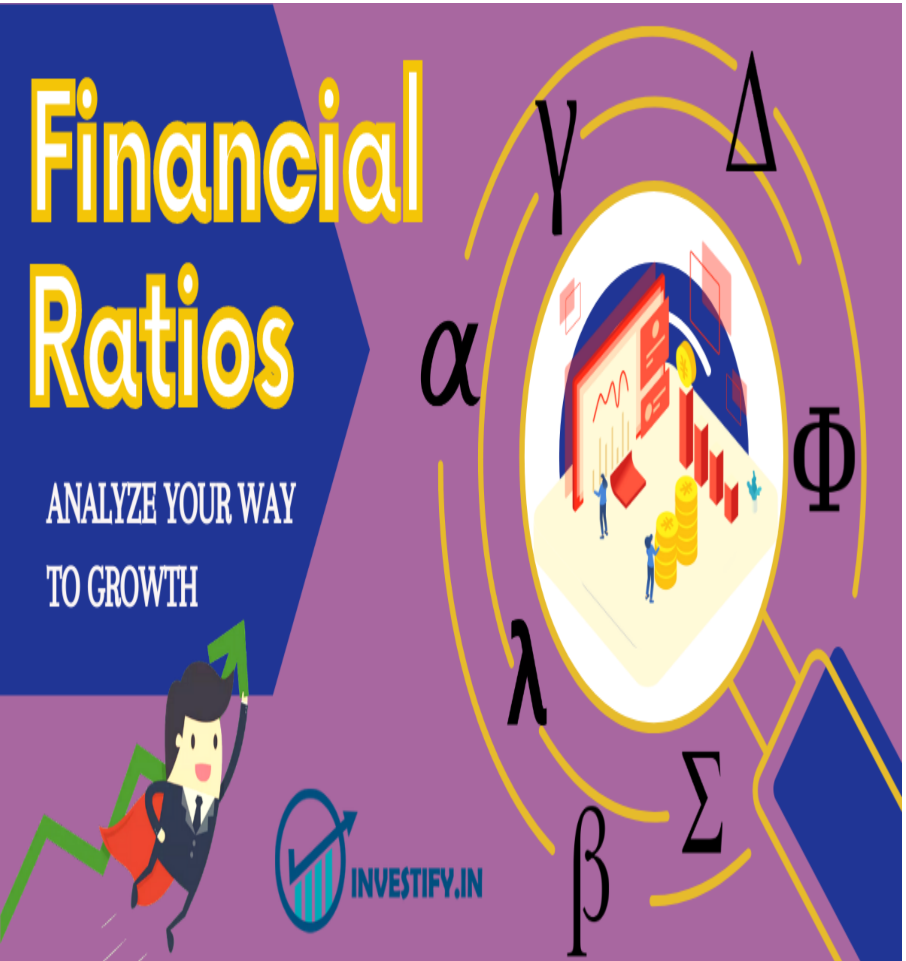
JORDAN SECURITIES COMMISSION

هيئة الأوراق المالية

- ❑ **Audio Lecture Financial Ratios**

Audio lecture - How to take advantage of financial ratios

Together to protect the investor.. for a safe investment environment



Dear investor brother...

The increase in the market value compared to the book value means that the company has added a market value to its shares. Financial ratios can be used to measure a company's performance and compare it with standard ratios such as those of the sector to which the company belongs or those of competing companies. Financial ratios are mainly divided into four main groups that investors in the financial markets must understand, absorb and know how to benefit from them, namely: liquidity, profitability, returns from realized profits, and investment ratios. Each group contains sub-ratios.

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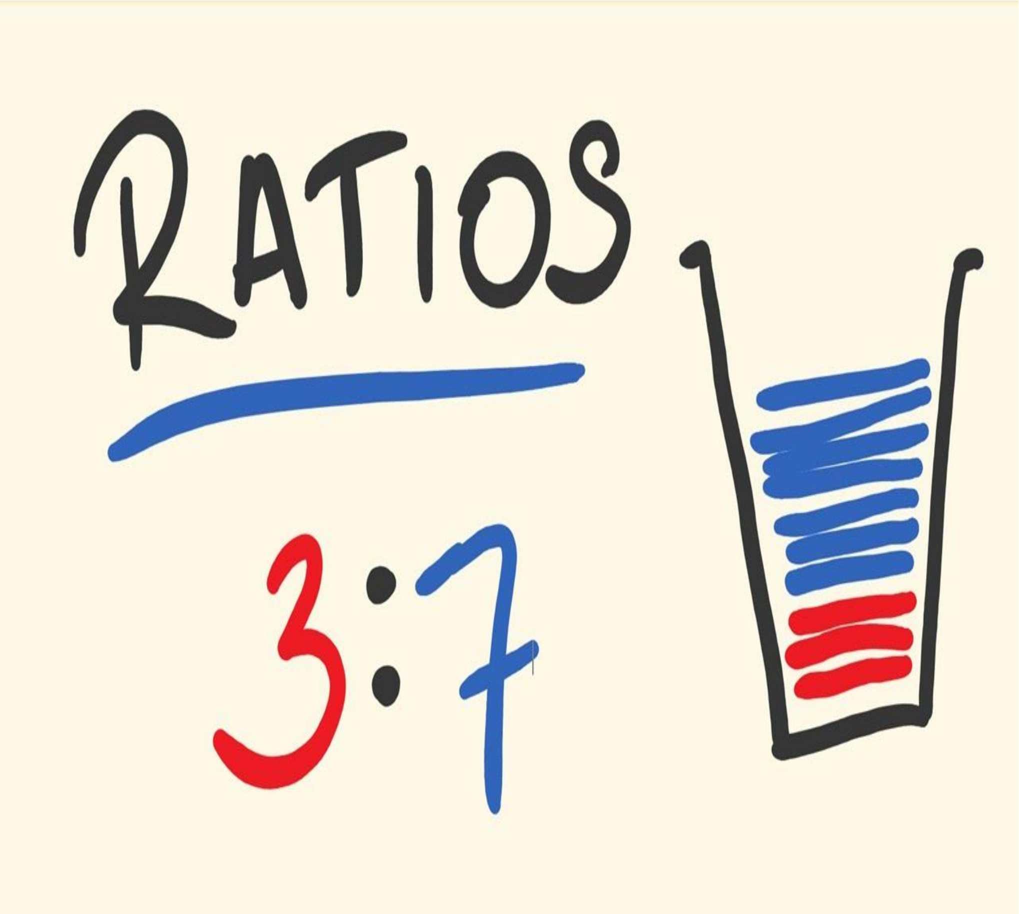

1- Liquidity Ratio

This ratio measures the company's liquidity, and is calculated by dividing the total current assets by the total current liabilities. It also measures the trading ratio, and the company's ability to meet its short-term obligations that are due within one year, as it expresses the number of times that current assets can cover current liabilities, and the higher this ratio indicates, the greater the company's ability to meet its obligations in the short term And the lower it is, the negatively it is indicative of its low ability to meet those obligations.

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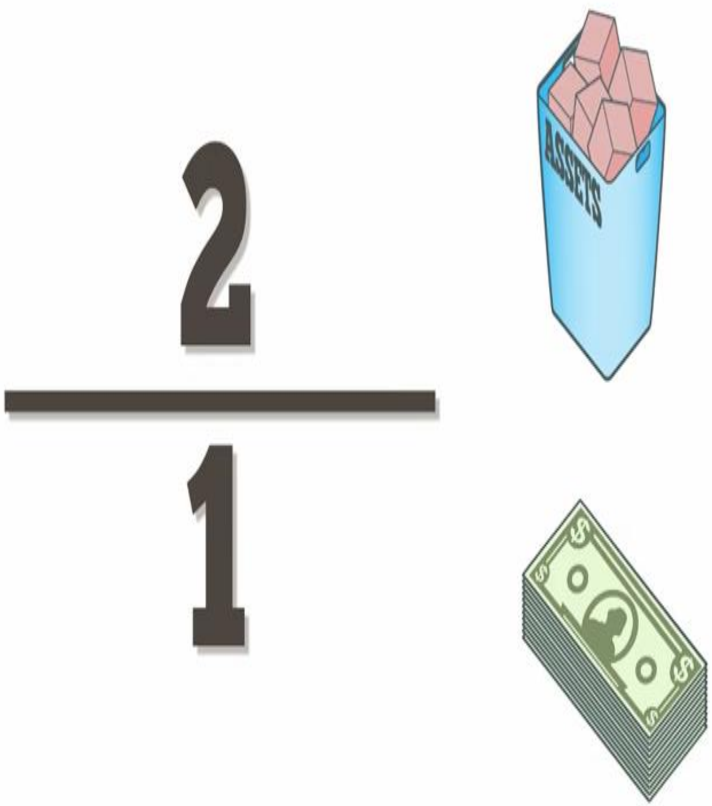

2- Profitability ratios

It measures the company's ability to achieve profits, and the most important of these ratios are the ratio of gross profit to sales, the ratio of return on shareholders' equity, and the ratio of return on assets. This ratio is also called the gross profit margin, and it is considered a measure of the production efficiency in the company, and its ability to control and reduce production costs, and the higher the ratio, the better the situation. This group also measures the rate of return on shareholders' equity, that is, the return achieved by the company, which is represented in the net profit figure in relation to the shareholders' funds represented in the company's shareholders' equity.

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3- Earnings per share from realized profits

This return represents what the shareholders are entitled to in terms of profits, and the higher this percentage, the higher the share price in the market, as the logical relationship requires that the profits realized per share be proportional to its market price. This ratio is important for comparing the profits of the company itself over time, and therefore when judging the company and its performance, we must calculate the rate of return per share before we judge it by its net profits.

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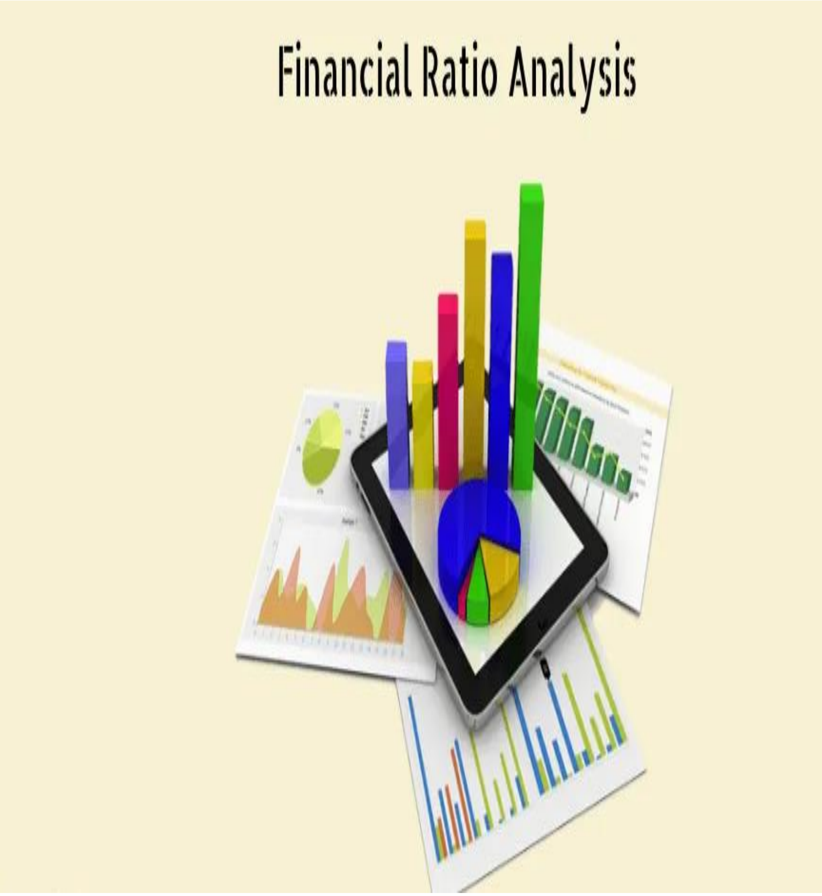

4- Investment ratios

There are ratios known to the majority of investors and used in evaluating the shares of companies. These ratios are called investment ratios and are calculated based on the market prices of these companies. The most important of these ratios are:

The ratio of the share price to the net profit: it is also called the multiplier or the earnings multiple. This ratio is considered one of the most famous financial ratios used in the financial markets.

This ratio is calculated by dividing the share price in the market by the profit per share for the last financial year (or the profits of the last 12 months).

This ratio is highly relied upon in the financial markets as it is easy to calculate and available for most stocks.

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Dear investor brother...

The ratio of the market value to the book value of the share: this ratio compares the book value of the share with the market value of it, in order to identify the investors' evaluation of the company's shares, and the changes that occur in this evaluation, and the book value of the share is the total shareholders' equity of the company divided by the number of shares subscribed to the company .How high the market value (the market valuation of the company) compared to the book value (the amount of money belonging to the company's shareholders) means that the company has created an additional market value for investors, and that the market evaluates this company higher than the amount of money invested in it.

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Dear investor brother...

The ratio of the cash dividends per share to the market price of the share and it is called the dividends per share: This ratio measures the amount of return that the investor receives as cash dividends, compared to the price that the investor will pay to buy this stock.

Return on average assets

The ratio of return on average assets, measures the return achieved by the company in relation to the entire assets of the company. These ratios are important in measuring the company's ability to invest the funds available to it from the shareholders' funds as well as the funds that the company borrows, and these ratios the larger the better. They can be used to compare companies of different sizes in terms of shareholders' equity and total assets.

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Thank You