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What Is EPS? Earnings Per Share Explained

How earnings per share is calculated, what diluted EPS adds, and why a higher EPS does not always mean a better company.

Updated 4 Nov 2026

Read online: https://traderange.net/learn/what-is-eps-earnings-per-share-xkke1ojx/



Earnings per share, or EPS, is the number that sits underneath almost every stock valuation. For each share in issue, it tells you how much profit a company made. That said, the headline figure can hide as much as it reveals. This guide covers how EPS is calculated and the different versions you will see — and how to read it without being misled.

What is EPS?

To get EPS, a company's profit is divided by the number of shares that own it. If you owned one share, EPS is your slice of the company's profit for the period. Because the price-to-earnings ratio (one of the most quoted valuation measures) is built directly on top of it, investors watch it closely.

How to calculate EPS

The basic formula is **EPS = net income ÷ shares outstanding**. Because that profit does not belong to ordinary shareholders, companies that pay preferred dividends subtract them from net income first. Most data sites report EPS over the last twelve months; this is called trailing EPS.

> **Worked example: Coca-Cola**
>
> In TradeRange data from 21 September 2026, Coca-Cola (KO) reported net income of $14.32 billion and had 4.3 billion shares outstanding. Dividing one by the other gives EPS of about $3.33. The same figure can be worked out from the share price of $87.12 and the trailing P/E of 26.2.

The two routes rarely match perfectly; share counts change during the year as companies buy back or issue stock, and data providers use slightly different reporting dates. As a result, small gaps between published EPS figures are normal.

Basic vs diluted EPS

Basic EPS uses the shares that exist today. Diluted EPS also counts shares that stock options, convertible bonds and employee awards could create. So diluted EPS is always equal to or lower than basic EPS. On top of that, a large gap between the two means existing shareholders may be spread more thinly in future.

Comparing EPS across companies

TRAILING EPS CALCULATED AS NET INCOME ÷ SHARES OUTSTANDING. TRADERANGE DATA AS OF 21 SEPTEMBER 2026; DATA IS DELAYED.

COMPANY	TICKER	NET INCOME	SHARES OUTSTANDING	EPS
JPMorgan Chase	JPM	$63.63 billion	2.66 billion	$23.94
Microsoft	MSFT	$133.75 billion	7.43 billion	$18.01
Nvidia	NVDA	$192.88 billion	24.15 billion	$7.99
Coca-Cola	KO	$14.32 billion	4.3 billion	$3.33

In the table, JPMorgan Chase has the highest EPS at $23.94, while Nvidia's EPS of $7.99 is lower than Microsoft's $18.01 even though Nvidia earns more in total. The reason is share count — Nvidia's profit is split across 24.15 billion shares. EPS on its own says nothing about which company is bigger or more profitable; it only becomes useful when compared with the share price or with the same company's past results.

When EPS can mislead

EPS is easy to move without the underlying business improving.

- Share buybacks: even if total profit stays flat, a smaller share count raises EPS.
- One-off gains: a single year's earnings can be inflated by selling a division or revaluing an investment.
- Accounting choices: changes in depreciation or tax treatment can shift profit between years.
- Adjusted EPS: many companies publish an adjusted figure that leaves out costs they see as unusual, and there is no standard for these adjustments.

That is why experienced investors usually compare EPS growth with revenue growth and cash flow. Year on year, Coca-Cola's earnings grew 16.9% while its revenue grew 6.7%. When earnings rise much faster than sales, it is worth checking whether margins really improved or whether something else is doing the work.

How to use EPS in practice

1. Look at EPS over several years, not a single quarter.
2. Check whether the share count is falling, rising or flat.
3. Compare reported EPS with any adjusted figure the company highlights.
4. To judge what you are paying for those earnings, use EPS alongside the P/E ratio.

The inputs for trailing EPS, including net income and shares outstanding, can be found for any listed company on its TradeRange stock page.

KEY TAKEAWAYS

- ✔ EPS = net income ÷ shares outstanding.
- ✔ Diluted EPS counts shares that options and convertibles could create.
- ✔ A higher EPS does not mean a bigger or better company; share counts differ.
- ✔ Buybacks and one-off gains can lift EPS without the business improving.
- ✔ EPS is most useful over time and alongside the P/E ratio.

⚠ **Not investment advice**

As of 21 September 2026, these figures are TradeRange market data and are delayed. They are meant for education only, not as investment advice.

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