Johnson Matthey Plc (LSE:JMAT) delivered an ROE of 16.83% over the past 12 months, which is an impressive feat relative to its industry average of 16.44% during the same period. Read More... Return on Equity (ROE) is a measure of Johnson Matthey’s profit relative to its shareholders’ equity. An ROE of 16.83% implies £0.17 returned on every £1 invested. In most cases, a higher ROE is preferred; however, there are many other factors we must consider prior to making any investment decisions. Return on Equity = Net Profit ÷ Shareholders Equity. ROE is assessed against cost of equity, which is measured using the Capital Asset Pricing Model (CAPM) – but let’s not dive into the details of that today. For now, let’s just look at the cost of equity number for Johnson Matthey, which is 8.30.
