ROS - Return On Sales

Return On Sales, usually the abbreviation ROS is used. It is a term that refers to how much dollars of the net profit is attributable to one dollar of sales. The indicator works with two variants of the indicator’s construction; in the numerator there is either EBIT or EAT. The variant with EBIT in the numerator is useful to compare companies with varying conditions. When using EAT in the numerator, it is so called Profit Margin.

Calculation in two variants:

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\text{ROS} = \frac{\text{EBIT}}{\text{Sales of own products and services + Sales of goods}}
\]

\[
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\]

What is ROE for in practice?

Like other profitability ratios helps us determine the profit. It must be always properly assessed in the context of the company’s turnover and it varies greatly among companies in different industries. Ranges from about 2% to 50%, should be above 10%.

For the interpretation it is also important to know the long-term trend in individual years, compared with other companies in the sector and other souvislošť. Low or high value of the indicator does not have to mean that something is good or bad. To illustrate it: the value may be low due to a fast turnover of stocks at the same time with high volume of sales - it is typical for trade companies, supermarkets etc. On the other hand, high levels of ROS can be caused by slow inventory turnover, while low volume of sales - it can occur for example in manufacturing companies.

In a company the indicator is used particularly by Commercial Director but it also by CFO at analysis of financial ratios.