Net Operating Profit After Tax = NOPAT (Finance)

@wikipedia

> NOPAT = Net Income - after-tax Non-Operating Revenue + after-tax Non-Operating Expenses + after-tax Interest

NOPAT provides adjustment to Net Income for:

- Non-Operating Revenue – because it does not represent the primary Business gains
- Non-Operating Expense – because it does not represent the primary Business expenses
- Interest – because there is a flexibility in the way Business finance its activity

with all above being adjusted for IncomeTaxRate.

Unlike Net Income the NOPAT represents the true, on-going profitability of the Business.

If Business is strictly primary (with no Non-Operating Revenue and Non-Operating Expense) and does not use external financing then NOPAT = Net Income.

For example, a company may incur acquisition costs that would not be expected to occur in the future.

These costs would negatively effect current year earnings, but do not accurately portray the regular profitability of the Business.

These costs should be excluded when performing any type of analysis to determine the operating and financial efficiency of a Business or to compare performance against other Businesses.

See also

Business / Business Administration / Financial Management / Financial Accounting / Profit and Loss (P&L)

[Net Income]