

Mercados y Negocios

1665-7039 printed

2594-0163 on line

Year 26, n. 56, September-December (2025)

FINANCIAL AND ECONOMIC INDICATORS

ROIC (Return on Invested Capital), as a metric of financial efficiency

<https://doi.org/10.32870/myn.vi56.7971>

Juan Gaytán Cortés

Universidad de Guadalajara (México)

jgaytan@cucea.udg.mx

<https://orcid.org/0000-0002-4388-0138>

Organisations generally invest capital in acquiring industrial warehouses, machinery, research laboratories, offices, and other similar long-lived assets, as well as hiring personnel to manage, oversee the production process, and make purchases of raw materials, while also extending credit to their customers. Shareholders can provide financial resources through capital exhibitions, the generation and retention of profits or through the contracting of debt.

Assessing the return on capital invested in tangible and intangible resources is often complicated. ROIC is a financial metric that helps evaluate the return on capital invested by a company. (Damodaran, 2008). When seeking to measure the efficiency of capital invested, if the ROIC exceeds the cost of capital, the company is generating value.

ROIC is a key profitability metric in corporate finance that measures a company's efficiency in allocating its capital to profitable investments. ROI has been widely used in the financial literature by renowned researchers, advisors, and professionals, including Ben-David, Graham, and Harvey (2013); Furman and Orszag (2015); Koller (1994); and Koller, Goedhart, and Wessels (2017). In addition, Wall Street analysts have declared and promoted ROIC as the most crucial metric in finance (Benoit, 2016), catalogued as a key factor in capital allocation.

ROIC Advantage

The advantage of ROIC is that it measures investment capital as something more than physical capital (fixed assets and investments); research conducted by Doidge et al. (2018) shows that, over time, investment in total assets decreases in relation to investment in intangible assets. In addition, unlike traditional measures, ROIC examines the return on total capital invested and clearly shows whether a company is creating value for its shareholders.

In the evaluation of financial profitability, most traditional measures such as return on equity (ROE) and return on assets (ROA) are considered, which have limitations when measuring the value generated by companies in the long term from equity, these ratios have limitations when measuring the value generated by companies in the long term from equity. These



indicators take into account the net profits of the income statement and the balance sheet, but do not report on the total capital invested.

Calculation of ROIC

In the article "Return on Invested Capital: How to Calculate ROIC and Handle Common Issues", written by Michael J. Mauboussin and Dan Callahan, the terms of ROIC are defined and explained in a clear and precise way. They also show that this metric is calculated with the following formula:

$$\text{Return on invested capital (ROIC)} = \frac{\text{Net operating profit after taxes (NOPAT)}}{\text{Invested capital (IC)}}$$

$$\text{NOPAT} = \text{EBITA} - \text{cash taxes}$$

Earnings Before Interest and Taxes (EBIT)* (1-Taxes) represents Net Operating Profit After Taxes (NOPAT), but before the financing cost income generated by investments made in operations. Therefore, the NOPAT is the return generated by the capital invested.

The authors state that understanding how a company generates its returns can guide the assessment of its sustainability, and knowing how a company generates an attractive ROIC can inform the analysis of its competitive strategy. The origin of the returns and the rationale of the plan were provided by breaking down the previous formula into NOPAT Margin and Turnover of Invested Capital.

$$\text{ROIC} = \frac{\text{NOPAT}}{\text{Invested Capital (IC)}} = \frac{\text{NOPAT}}{\text{SALES}} = \frac{\text{SALES}}{\text{Invested Capital (IC)}}$$

Interpretation

Return on invested capital (ROIC) is typically used with two approaches:

1. Investments. In making asset allocation decisions. If different investment opportunities carry the same risk, the company should always invest in the proposition that offers the highest ROIC.
2. ROIC Vs WACC. When comparing the ROIC with the Weighted Average Cost of Capital (WACC) of the investment. If the return on the ROIC exceeds the expected return (WACC), the investment should be made.
3. Valuation multiples. If two companies are similar, but one has a higher ROIC, the company with a higher ROIC should, in theory, trade at higher valuation multiples, for example: (Share Price / Earnings Per Share) = P/E; (Total Enterprise Value)/(Earnings before interest, taxes, depreciation, and amortisation) = TEV /EBITDA, etc.

Proposals

In decision-making, the following is suggested:

- a) If a company achieves a high ROIC thanks to a high NOPAT margin, the analysis should focus on differentiation.
- b) If the company's high performance comes from a high turnover rate of invested capital, it is essential to analyse cost leadership.

Few companies have high NOPAT margins and high turnover rates of invested capital. Generally, these companies have advantages reinforced by economies of scale. Economic and financial indicators are helpful tools that benefit organisations by facilitating timely and appropriate decision-making about their corporate and financial strategies. Next, the evolution of key economic and financial indicators in the Mexican environment is described to facilitate informed decision-making related to personal and business strategies in an integrated manner.

1. National Consumer Price Index (INPC, Spanish)
2. The Price and Quotation Index of the Mexican Stock Exchange (IPC, Spanish)
3. Exchange rate
4. Equilibrium interbank interest rate (TIIE, Spanish)
5. CETES rate of return
6. Investment units (UDIS, Spanish)

1. NATIONAL CONSUMER PRICE INDEX (INPC)

Born in 1995, it reflects changes in consumer prices, measuring the general increase in prices in the country. It is calculated on a fortnightly basis by the Bank of Mexico and INEGI (2021). INPC is published in the Official Gazette of the Federation on the 10th and 25th of each month. The reference period is the second half of July 2018.

133

Table 1
Accumulated inflation in the year (Base: 2nd half of July 2018=100 with data provided by Banco de México)

Period	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
January	0.90	-0.09	0.38	1.70	0.53	0.09	0.48	0.86	0.59	0.76	0.89	0.29
February	1.15	0.09	0.82	2.29	0.91	0.06	0.90	1.50	1.43	1.24	0.99	0.56
March	1.43	0.51	0.97	2.92	1.24	0.44	0.85	2.34	2.43	1.51	1.28	0.88
April	1.24	0.25	0.65	3.04	0.90	0.50	-0.17	2.67	2.98	1.49	1.48	1.21
May	0.91	-0.26	0.20	2.92	0.73	0.21	0.22	2.88	3.17	1.27	1.29	2.05
June	1.09	-0.09	0.31	3.18	1.12	0.27	0.76	3.43	4.04	1.37	1.68	1.78
July	1.42	0.06	0.57	3.57	1.66	0.65	1.43	4.04	4.81	1.86	2.74	1.50
August	1.73	0.27	0.86	4.08	2.26	0.63	1.82	4.24	5.54	2.42	2.75	
September	2.18	0.27	1.47	4.41	2.69	0.89	2.06	4.88	6.19	2.88	2.80	
October	2.74	1.16	2.09	5.06	3.22	1.44	2.68	5.76	6.79	3.27	3.37	
November	3.57	1.71	2.89	6.15	4.10	2.26	2.76	6.97	7.41	3.93	3.06	
December	4.08	2.13	3.36	6.77	4.83	2.83	3.15	7.35	7.82	4.66	4.21	

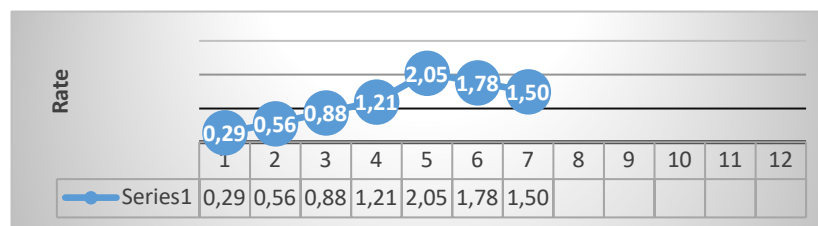
Source: Own elaboration (INEGI, 2025). Route: Indicadores económicos de coyuntura > Índices de precios > Índice nacional de precios al consumidor. Base segunda quincena de julio de 2018=100 > Mensual > Índice > Índice general

Graph 1
Inflation in Mexico (2014-2024 accumulated at the end of the year)



Source: Own elaboration (INEGI, 2025). Route: Indicadores económicos de coyuntura > Índices de precios > Índice nacional de precios al consumidor. Base segunda quincena de julio de 2018=100 > Mensual > Índice > Índice general

Graph 2
Inflation in Mexico (accumulated January-July 2025)



Source: Own elaboration (INEGI, 2025). Route: Indicadores económicos de coyuntura > Índices de precios > Índice nacional de precios al consumidor. Base segunda quincena de julio de 2018=100 > Mensual > Índice > Índice general

2. THE PRICE AND QUOTATION INDEX OF THE MEXICAN STOCK EXCHANGE (IPC)

Represents the change in the values traded on the Mexican Stock Exchange concerning the previous day to determine the percentage of rise or fall of the most representative shares of the companies listed therein.

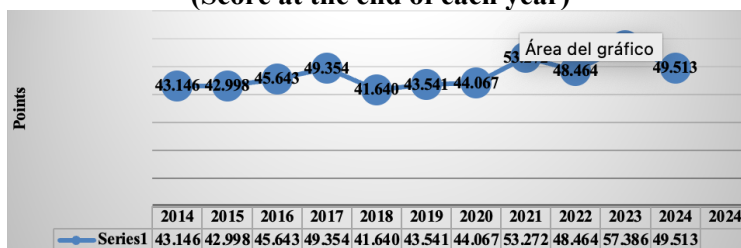
Table 2
The Price and Quotation Index of the Mexican Stock Exchange
(Base: October 1978, 0.78=100)

Period	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
January	40,879	40,951	43,631	47,001	50,456	43,988	44,862	42,986	51,331	54,564	57,373	51,210
February	38,783	44,190	43,715	46,857	47,438	42,824	41,324	44,593	53,401	52,758	55,414	52,326
March	40,462	43,725	45,881	48,542	46,125	43,281	34,554	47,246	56,537	53,904	57,369	52,484
April	40,712	44,582	45,785	49,261	48,354	44,597	36,470	48,010	51,418	55,121	56,728	56,259
May	41,363	44,704	45,459	48,788	44,663	42,749	36,122	50,886	51,753	52,736	55,179	57,842
June	42,737	45,054	45,966	49,857	47,663	43,161	37,716	50,290	47,524	53,526	52,440	57,451
July	43,818	44,753	46,661	51,012	49,698	40,863	37,020	50,868	48,144	54,819	53,094	57,398
August	45,628	43,722	47,541	51,210	49,548	42,623	36,841	53,305	44,919	53,021	51,986	58,709
September	44,986	42,633	47,246	50,346	49,504	43,011	37,459	51,386	44,627	50,875	52,477	
October	45,028	44,543	48,009	48,626	43,943	43,337	36,988	51,310	49,922	49,062	50,661	
November	44,190	43,419	45,286	47,092	41,733	42,820	41,779	49,699	51,685	54,060	49,813	
December	43,146	42,998	45,643	49,354	41,640	43,541	44,067	53,272	48,464	57,386	49,513	

Source: Own elaboration (BANXICO, 2025).

<https://www.banxico.org.mx/SieInternet/consultarDirectorioInternetAction.do?sector=7&accion=consultarCuadro&idCuadro=CF57&locale=es>

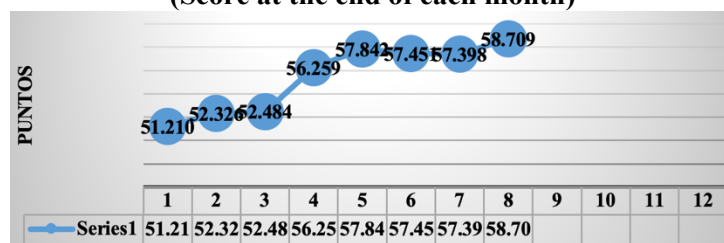
Graph 3
The Price and Quotation Index of the Mexican Stock Exchange, 2014 - 2024
(Score at the end of each year)



Source: Own elaboration (BANXICO, 2025).

<https://www.banxico.org.mx/SieInternet/consultarDirectorioInternetAction.do?sector=7&accion=consultarCuadro&idCuadro=CF57&locale=es>

Graph 4
The Price and Quotation Index of the Mexican Stock Exchange, January-August 2025
(Score at the end of each month)



Source: Own elaboration (BANXICO, 2025).

<https://www.banxico.org.mx/SieInternet/consultarDirectorioInternetAction.do?sector=7&accion=consultarCuadro&idCuadro=CF57&locale=es>

135

3. EXCHANGE RATE

It is the value of the Mexican peso in relation to the dollar, calculated using the daily average of the five most important banks in the country, which reflects the spot price (cash) negotiated between banks. It is highly related to Inflation, the interest rate, and the Mexican Stock Exchange.

Table 3
Exchange rate (National currency per US dollar, parity at the end of each period)

Period	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
January	13.37	14.69	18.45	21.02	18.62	19.04	18.91	20.22	20.74	18.79	17.16	20.61
February	13.30	14.92	18.17	19.83	18.65	19.26	19.78	20.94	20.65	18.40	17.06	20.51
March	13.08	15.15	17.40	18.81	18.33	19.38	23.48	20.44	19.99	18.11	16.53	20.44
April	13.14	15.22	19.40	19.11	18.86	19.01	23.93	20.18	20.57	18.07	17.09	19.61
May	12.87	15.36	18.45	18.51	19.75	19.64	22.18	19.92	19.69	17.56	17.01	19.33
June	13.03	15.57	18.91	17.90	20.06	19.21	23.09	19.91	20.13	17.07	18.24	18.89
July	13.06	16.21	18.86	17.69	18.55	19.99	22.20	19.85	20.34	16.73	18.59	18.76
August	13.08	16.89	18.58	17.88	19.07	20.07	21.89	20.06	20.09	16.84	19.60	18.65
September	13.45	17.01	19.50	18.13	18.90	19.68	22.14	20.56	20.09	17.62	19.64	
October	13.42	16.45	18.84	19.15	19.80	19.16	21.25	20.53	19.82	18.08	20.04	
November	13.72	16.55	20.55	18.58	20.41	19.61	20.14	21.45	19.40	17.14	20.32	
December	14.72	17.21	20.73	19.79	19.68	18.87	19.91	20.47	19.47	16.89	20.79	

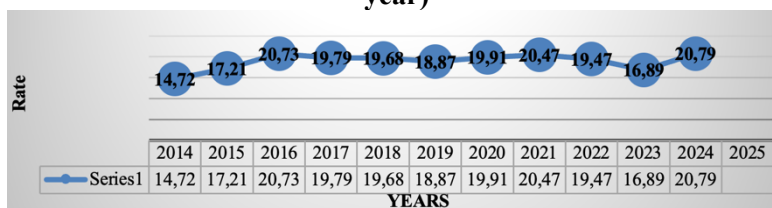
NOTE: Exchange rate fixed by the Banco de México, used for settling obligations denominated in foreign currency. Quote at the end.

Source: Own elaboration (BANXICO, 2025).

<https://www.banxico.org.mx/SieInternet/consultarDirectorioInternetAction.do?sector=6&accion=consultarCuadro&idCuadro=CF102&locale=es>

Graph 5

Exchange rate (National currency per US dollar, 2014-2024, FIX parity at the end of each year)

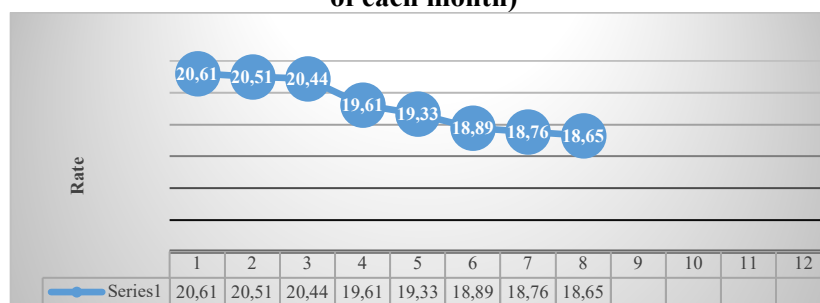


Source: Own elaboration (BANXICO, 2025).

<https://www.banxico.org.mx/SieInternet/consultarDirectorioInternetAction.do?sector=6&accion=consultarCuadro&idCuadro=CF102&locale=es>

Graph 6

Exchange rate (National currency per US dollar, January-August 2025, FIX parity at the end of each month)



Source: Own elaboration (BANXICO, 2025).

<https://www.banxico.org.mx/SieInternet/consultarDirectorioInternetAction.do?sector=6&accion=consultarCuadro&idCuadro=CF102&locale=es>

4. EQUILIBRIUM INTERBANK INTEREST RATE (TIE)

On March 23, 1995, the Bank of Mexico, to establish an interbank interest rate that better reflects market conditions, released the Interbank Equilibrium Interest Rate through the Official Gazette of the Federation.

Table 4

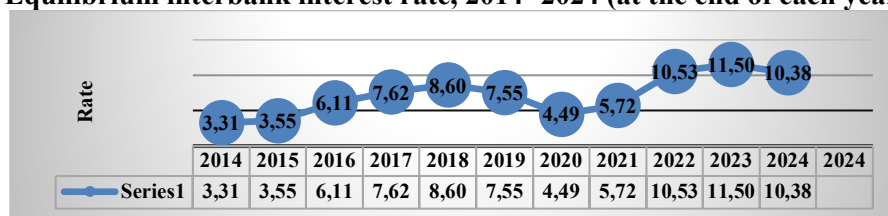
Equilibrium interbank interest rate (28-day quote)

Period	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
January	3.78	3.29	3.56	6.15	7.66	8.59	7.50	4.47	5.72	10.82	11.50	10.28
February	3.79	3.29	4.05	6.61	7.83	8.54	7.29	4.36	6.02	11.27	11.50	9.88
March	3.81	3.30	4.07	6.68	7.85	8.51	6.74	4.28	6.33	11.43	11.44	9.74
April	3.80	3.30	4.07	6.89	7.85	8.50	6.25	4.28	6.73	11.54	11.25	9.28
May	3.79	3.30	4.10	7.15	7.86	8.51	5.74	4.29	7.01	11.51	11.24	9.05
June	3.31	3.30	4.11	7.36	8.10	8.49	5.28	4.32	7.42	11.49	11.24	8.74
July	3.31	3.31	4.59	7.38	8.11	8.47	5.19	4.52	8.04	11.51	11.25	8.26
August	3.30	3.33	4.60	7.38	8.10	8.26	4.76	4.65	8.50	11.51	11.08	8.09
September	3.29	3.33	4.67	7.38	8.12	8.04	4.55	4.75	8.89	11.50	11.08	
October	3.28	3.30	5.11	7.38	8.15	7.97	4.51	4.98	9.56	11.50	10.95	
November	3.31	3.32	5.57	7.39	8.34	7.78	4.48	5.13	10.00	11.50	10.74	
December	3.31	3.55	6.11	7.62	8.60	7.55	4.49	5.72	10.53	11.50	10.38	

Source: Own elaboration (BANXICO, 2025).

<https://www.banxico.org.mx/SieInternet/consultarDirectorioInternetAction.do?sector=18&accion=consultarCuadro&idCuadro=CF101&locale=es>

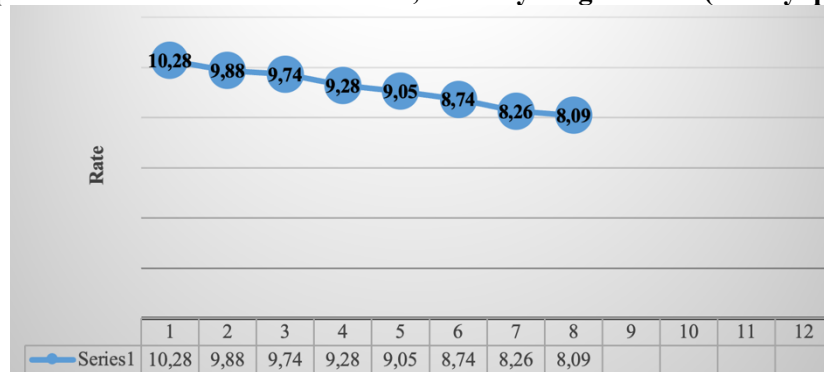
Graph 7
Equilibrium interbank interest rate, 2014- 2024 (at the end of each year)



Source: Own elaboration (BANXICO, 2025).

<https://www.banxico.org.mx/SieInternet/consultarDirectorioInternetAction.do?sector=18&accion=consultarCuadro&idCuadro=CF101&locale=es>

Graph 8
Equilibrium interbank interest rate, January-August 2025 (28-day quote)



Source: Own elaboration (BANXICO, 2025).

<https://www.banxico.org.mx/SieInternet/consultarDirectorioInternetAction.do?sector=18&accion=consultarCuadro&idCuadro=CF101&locale=es>

137

5. CETES RATE OF RETURN

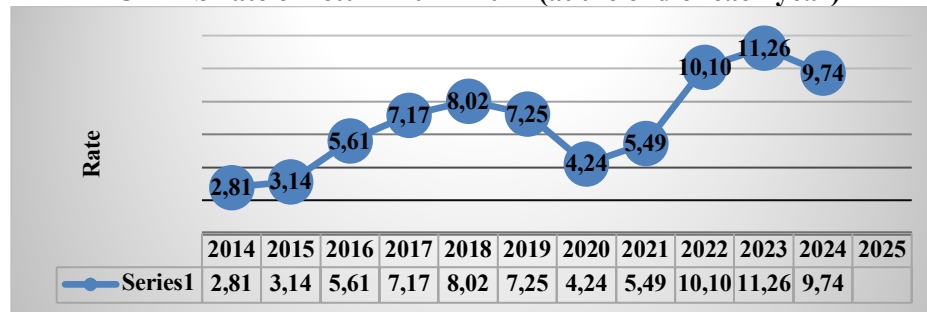
Table 5
CETES rate of return (28-day)

Period	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2024
January	3.14	2.67	3.08	5.83	7.25	7.95	7.04	4.22	5.50	10.80	11.28	9.87
February	3.16	2.81	3.36	6.06	7.40	7.93	6.91	4.02	5.94	11.04	11.00	9.44
March	3.17	3.04	3.80	6.32	7.47	8.02	6.59	4.08	6.52	11.34	10.90	9.02
April	3.23	2.97	3.74	6.50	7.46	7.78	5.84	4.06	6.68	11.27	11.04	8.65
May	3.28	2.98	3.81	6.56	7.51	8.07	5.38	4.07	6.90	11.25	11.03	8.12
June	3.02	2.96	3.81	6.82	7.64	8.18	4.85	4.03	7.56	11.02	10.88	8.00
July	2.83	2.99	4.21	6.99	7.73	8.15	4.63	4.35	8.05	11.09	10.87	7.48
August	2.77	3.04	4.24	6.94	7.73	7.87	4.50	4.49	8.35	11.07	10.65	7.27
September	2.83	3.10	4.28	6.99	7.69	7.61	4.25	4.69	9.25	11.05	10.35	
October	2.90	3.02	4.69	7.03	7.69	7.62	4.22	4.93	9.00	11.26	10.20	
November	2.85	3.02	5.15	7.02	7.83	7.46	4.28	5.05	9.70	11.78	9.95	
December	2.81	3.14	5.61	7.17	8.02	7.25	4.24	5.49	10.10	11.26	9.74	

Source: Own elaboration (BANXICO, 2025).

<https://www.banxico.org.mx/SieInternet/consultarDirectorioInternetAction.do?sector=22&accion=consultarCuadro&idCuadro=CF107&locale=es>

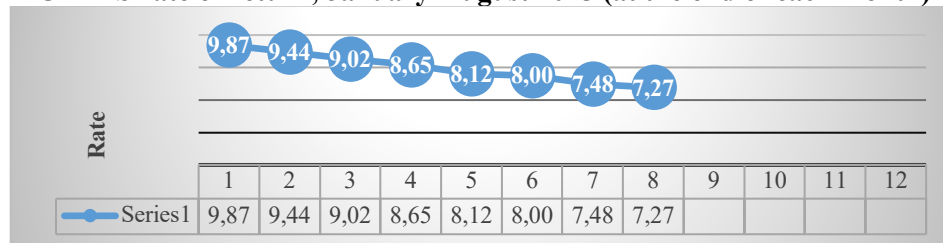
Graph 9
CETES rate of return 2014- 2024 (at the end of each year)



Source: Own elaboration (BANXICO, 2025).

<https://www.banxico.org.mx/SieInternet/consultarDirectorioInternetAction.do?sector=22&accion=consultarCuadro&idCuadro=CF107&locale=es>

Graph 10
CETES rate of return, January-August 2025 (at the end of each month)



Source: Own elaboration (BANXICO, 2025).

<https://www.banxico.org.mx/SieInternet/consultarDirectorioInternetAction.do?sector=22&accion=consultarCuadro&idCuadro=CF107&locale=es>

6. INVESTMENT UNITS (UDIS)

The UDI is a unit of account of constant real value to denominate credit titles. It does not apply to checks, commercial contracts, or other commercial transactions.

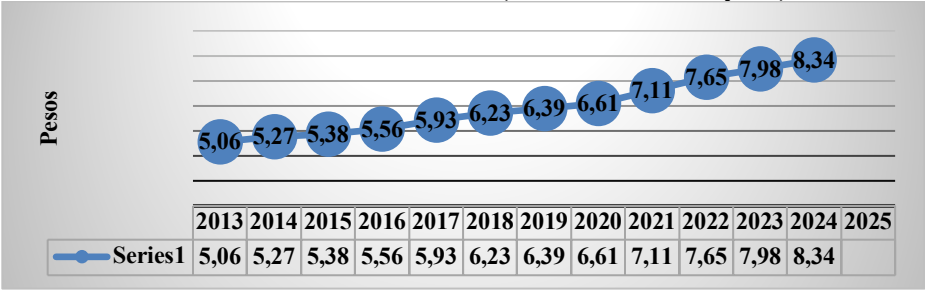
Table 6
Investment units (value concerning pesos)

Period	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
January	5.10	5.29	5.41	5.62	5.97	6.25	6.44	6.64	7.12	7.69	8.06	8.37
February	5.13	5.29	5.43	5.69	6.00	6.25	6.46	6.70	7.18	7.74	8.11	8.40
March	5.15	5.30	5.44	5.71	6.02	6.26	6.49	6.75	7.24	7.77	8.11	8.42
April	5.15	5.32	5.45	5.75	6.03	6.28	6.43	6.79	7.31	7.78	8.13	8.45
May	5.13	5.29	5.42	5.75	6.01	6.27	6.42	6.81	7.33	7.78	8.15	8.48
June	5.13	5.28	5.42	5.75	6.01	6.26	6.44	6.83	7.36	7.77	8.13	8.50
July	5.14	5.28	5.42	5.76	6.04	6.27	6.49	6.87	7.43	7.79	8.20	8.53
August	5.16	5.29	5.44	5.79	6.07	6.29	6.52	6.90	7.47	7.83	8.25	8.54
Sep.	5.18	5.31	5.45	5.82	6.11	6.29	6.55	6.92	7.53	7.87	8.25	
Oct.	5.20	5.33	5.49	5.84	6.13	6.31	6.57	6.97	7.57	7.90	8.26	
Nov.	5.23	5.36	5.53	5.89	6.17	6.35	6.60	7.04	7.62	7.94	8.32	
Dec.	5.27	5.38	5.56	5.93	6.23	6.39	6.61	7.11	7.65	7.98	8.34	

Source: Own elaboration (BANXICO, 2025).

<https://www.banxico.org.mx/SieInternet/consultarDirectorioInternetAction.do?accion=consultarCuadro&idCuadro=CP150&locale=es>

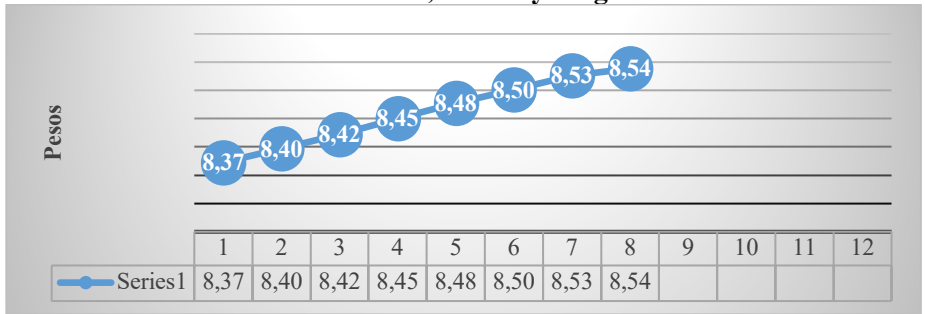
Graph 11
Investment units 2014-2024 (At the end of the year)



Source: Own elaboration (BANXICO, 2025).

<https://www.banxico.org.mx/SieInternet/consultarDirectorioInternetAction.do?accion=consultarCuadro&idCuadro=CP150&locale=es>

Graph 12
Investment units, January-August 2025



Source: Own elaboration (BANXICO, 2025).

<https://www.banxico.org.mx/SieInternet/consultarDirectorioInternetAction.do?accion=consultarCuadro&idCuadro=CP150&locale=es>

CONCLUSION

ROIC provides key insights into the return and efficient utilisation of a company's capital investment, enabling you to:

1. Improve investment and growth strategy.
2. Optimise capital structure and reduce costs.
3. Compare the company's performance to that of its competitors.
4. Prevent financial errors that can compromise the business's stability.

ROIC, like any other valuation metric, is just a tool; it can reveal profitability, strategic or business plan discrepancies, but the metric does not prove anything on its own. It is suggested to complement and strengthen decision-making with additional indicators, valuation multiples, or scenario analysis to decide which companies, Tangible or intangible projects, or assets to invest in.

REFERENCES

- BANXICO. (2025). *Economic Information System*. Banco de México. Link: <https://www.banxico.org.mx/>
- Ben-David, I., Graham, J. R. & Harvey, C. R. (2013). Managerial miscalibration. *Quarterly Journal of Economics*, 128, 1547–84. <https://doi.org/10.1093/qje/qjt023>
- Benoit, D. (2016, May 3). The Hottest Metric in Finance: ROIC. *The Wall Street Journal*. <https://www.wsj.com/articles/the-hottest-metric-in-finance-roic-1462267809>
- Damodaran, A. (2008). Return on Capital (ROC), Return on Invested Capital (ROIC) and Return on Equity (ROE), *Measurement and Implications*. Electronic. <https://doi.org/10.2139/ssrn.1105499>
- Doidge, C., Kahle, K. M., Karolyi, G. A. & Stulz, R. M. (2018). Eclipse of the public corporation or eclipse of the public markets?, *Journal of Applied Corporate Finance*, *Morgan Stanley*. 30(1), 8-16.
- Furman, J., & Orszag, P. (2015). *A firm-level perspective on the role of rents in the rise in inequality*. Presentation at “A Just Society” Centennial Event in Honor of Joseph Stiglitz. New York: Columbia University.
- INEGI. (2024). *Economic Information Bank*. Mexico: National Institute of Geography and Statistics. Link: <http://www.inegi.org.mx/sistemas/bie/>
- Koller, T. (1994). What is value-based management? *McKinsey Quarterly*.
- Koller, T., Goedhart, M. & Wessels, D. (2017). *Valuation: Measuring and managing the value of companies*. John Wiley & Sons.
- Mauboussin, M. J. & Callahan, D. (2022). Return on Invested Capital: How to Calculate ROIC and Handle Common Issues, *Consilient Observer: Counterpoint Global Insights*.