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What Is Market Cap? Market Capitalisation Explained

How market capitalisation is calculated, what the size bands mean, and why a bigger market cap does not mean a bigger business.

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Read online: https://traderange.net/learn/what-is-market-cap-xevgumun/



Market capitalisation, usually shortened to market cap, is the simplest way to measure how big a listed company is. At the top of every stock page you will find it, and it often decides which index a company joins. That said, market cap measures what investors think a company is worth, not what it owns or earns. This guide covers how to calculate it and what the size categories mean — and why it can mislead.

What is market cap?

Market cap is the total value of all of a company's shares at today's price. If you could buy every share at the current price, market cap is roughly what it would cost you. Every time the share price moves, market cap moves with it; as a result, it changes all through each trading day.

How to calculate market cap

The formula is **market cap = share price × shares outstanding**. Shares outstanding includes every share held by investors (insiders and institutions among them) but not shares the company has bought back and holds itself.

> **Worked example: Microsoft**
>
> In TradeRange data from 21 September 2026, Microsoft (MSFT) traded at $501.61 with 7.43 billion shares outstanding. Multiplying the two gives a market cap of about $3.72 trillion, which matches the figure reported for the company.

Size categories

Companies are grouped by investors into rough size bands: mega-cap, large-cap, mid-cap, small-cap and micro-cap. The boundaries are conventions rather than rules; different index providers draw them in different places. Because fewer investors trade them and their businesses are often less settled, smaller companies usually move more sharply in both directions.

MARKET CAPITALISATION, TRADERANGE DATA AS OF 21 SEPTEMBER 2026. DATA IS DELAYED.

COMPANY	TICKER	MARKET CAP
Nvidia	NVDA	$5.49 trillion
Apple	AAPL	$4.95 trillion
Microsoft	MSFT	$3.72 trillion
Tesla	TSLA	$1.48 trillion
JPMorgan Chase	JPM	$935.8 billion
Coca-Cola	KO	$374.8 billion
Ford	F	$52.5 billion

In the table, Nvidia is the largest company at $5.49 trillion — nearly 15 times the size of Coca-Cola. On top of that, market cap shows how the market ranks companies, not how much they sell. Ford's revenue of $188 billion tops Tesla's $103.6 billion; even so, Tesla's market cap of $1.48 trillion is about 28 times Ford's $52.5 billion.

Market cap vs enterprise value

Market cap only counts shares; enterprise value adds a company's debt and takes away its cash, which gives a closer estimate of what it would cost to buy the whole business. Because Coca-Cola has more debt than cash, its enterprise value of $409.8 billion is higher than its market cap of $374.8 billion. It works the other way for Nvidia: its enterprise value of $5.33 trillion sits below its $5.49 trillion market cap. As a result,

when comparing companies with very different balance sheets, many analysts prefer enterprise value.

When market cap misleads

- It reflects sentiment: without any change in the business, a market cap can double or halve.
- It ignores debt: two companies with the same market cap can have very different obligations.
- Share counts can lag: because data providers update share counts after filings, a large buyback or share issue may not show up straight away.
- It says nothing about profit: even a company with a large market cap can lose money.

How to use market cap in practice

1. Use it to compare companies of similar size, not to judge whether a stock is cheap.
2. Expect more volatility from smaller companies.
3. Check enterprise value when debt or cash is large.
4. Pair market cap with revenue and profit to see what the valuation rests on.

Market cap and enterprise value can be found for any listed company on its TradeRange stock page.

KEY TAKEAWAYS

- ✔ Market cap = share price × shares outstanding.
- ✔ It measures what the market thinks a company is worth, not what it earns.
- ✔ Size bands like large-cap and small-cap are conventions, not fixed rules.
- ✔ Enterprise value adjusts market cap for debt and cash.
- ✔ A bigger market cap does not mean bigger sales or profits.

⚠ **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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