



## 2 TRILLION DOLLAR COMPANY (MARKET CAPITALISATION)

On 19 August 2020 Apple became the first publicly traded US company to be valued at more than \$2 trillion\* ([story on NPR](#) shortlink: [n.pr/3345qAG](https://n.pr/3345qAG)). But what does that mean?

The \$2 trillion in question refers to the market capitalisation of the company, which is one way of measuring a publicly traded company's value. It's a pretty simplistic measure to be honest but it does make for some great headlines, partly because unlike some other ways of measuring value it's really easy to measure.

To calculate the market capitalisation (AKA 'market cap') of a company just multiply the number of shares available to the market by the current share price.

Example: A company with 100,000 shares available on the market (known as the 'shares outstanding'), each of which is worth \$10 would have a market cap of \$1 million:

$$100,000 \times \$10 = \$1,000,000$$

In Apple's case the share price peaked at \$467.77 per share on 19 August 2020 with 4.28 billion\* shares outstanding:

$$4,280,000,000 \times \$467.77 = \$2,002,055,600,000$$

So that's what market cap is, a simple measure of what a company is worth according to the stock market. Whether or not it's a *useful* measure of a company's value for investors is a matter for debate. Is an Apple really worth (almost) two Googles? Or 5.8 Nestlés?

### LEARN MORE

[Read more about market capitalisation on Investopedia](#) (shortlink: [bit.ly/2F8SxNA](https://bit.ly/2F8SxNA))

## CHECK YOUR UNDERSTANDING

1. The median weekly earnings for a full time employee in the UK reached £585 in April 2019. That's around \$770 per week. Roughly how long would it take to earn enough money to buy Apple at today's prices? Earnings figures from the [ONS, here](#) (shortlink: [bit.ly/3jXTKWL](https://bit.ly/3jXTKWL)).
  - a. 5 million years
  - b. 50 million years
  - c. 50 thousand years
  - d. 500 thousand years
2. Market cap is just one way to value a company. Which of the following is NOT a measure of company value? You may find [this article on Investopedia](#) (shortlink: [bit.ly/339cpls](https://bit.ly/339cpls)) useful.
  - a. Price-to-book value
  - b. Price-to-earnings (PE) ratio
  - c. Dividend Yield
3. At time of writing, Tesla Inc. had 186.36 million shares outstanding and a share price of \$1878.53. What is its market cap?
  - a. \$250 Billion
  - b. \$350 Billion
  - c. \$450 Billion

*Answers at the end of this document*

## WHAT IS SI:REDUX?

SI:REDUX is a free online stock market trading game designed to be used as a learning aid by teachers of students aged around 13-19 years old. The game is open to anyone, but is primarily aimed at teachers of secondary school pupils in the UK to use as a replacement for the Student Investor Challenge which is sadly not going ahead in 2020/21.

SI:REDUX will launch in September 2020. Please register your interest on the website at [siredux.trade](https://siredux.trade) to keep informed.

## The Answers!

1. **Correct Answer: 50 million years**

Yes, that's 50 million years. That's... ..a long time.

2. **Correct Answer: Dividend Yield**

Although it's a useful figure for investors (especially long term investors) dividend yield does not provide a valuation of the company as a whole.

3. **Correct Answer: \$350 Billion**

$186,360,000 \times \$1,878.53 = \$350,082,850,800$ , roughly \$350 Billion