Top 100 most valued companies

You're ready to raise capital and need to value your company. While business school professors will tell you there are multiple ways to value a company using discounted cash flow, in the real world for emerging consumer companies, there is only one method that matters-comparable company analysis.First, let me explain why discounted cash flow, or DCF, doesn't usually work for those of us in the consumer startup world. If your company has less than $100 million in revenue, a DCF model relies on too many inputs that are unpredictable for a non-mature business. As a result, the valuation you come up with will likely be off.A comparable company analysis, on the other hand, will help you set a market valuation that resonates with sophisticated investors. If you're trying to raise money and you haven't done a comparable company analysis, you are making a big mistake. This is the tried and true method for valuing a young company.Here's what you need to do:First: Find similar size companies in your industry. Talk to experts; use Google.Second: Identify the metrics that matter. In consumer and retail, the key metric is net revenue, not gross. Your valuation will be a multiple of net revenue. Depending upon the size of the company, typically 1x-4x trailing twelve month net revenue. This is one of the big reasons I love consumer and retail-valuations are real, driven by actual numbers, not based on hype or guesswork. In tech, on the other hand, valuations swing dramatically up and down-just look at hyped fintech these days.Third: Find out when each of those similar companies either raised money, if you're raising capital, or when those companies had a full exit and were acquired by a strategic or a private equity firm. Note: a full exit typically is at a higher valuation multiple than a growth equity investment. Stay focused on comparable sized businesses. If you are a shampoo company with $5 million in revenue trying to raise $1 million in growth equity, don't waste your time researching what Procter & Gamble paid for a $200-million revenue shampoo company. It's not relevant to your business and your raise.Tip: Do a sanity check. If your company has less than $1 million in revenue, then revenue multiples can be a little wacky. For a fast growing company there is not a big difference between $300,000 in revenue and $600,000 in revenue, but there's a massive difference in valuation multiple. So use common sense. Here's a good guide: In early rounds, entrepreneurs shouldn't give up more than 20-30% of their company in any given round. If you're giving up more than that, then you may be undervaluing the company or raising more than the business needs to grow. Conversely, if you give up much less than that, then you may not be raising enough money to last, or the valuation you're using may be too high.The more comparable companies you can look at, the better. Ideally, you find at least 15 to 20 data points. If you're an early-stage company in consumer and retail, you can use this database, which is derived from the review beginning in 2012 of more than 5,000 consumer and retail companies with revenue of $1 million to $10 million.Tip: Don't get greedy. Every week, I see at least one great company asking for a valuation far above what the market would suggest is fair, based on comparable company analysis. Despite the great products they may have, these entrepreneurs are shooting themselves in the foot, making a fatal mistake by overshooting valuation.Here are the two typical pitfalls founders fall into when valuing their company two high:Overdrawn out, very time-consuming fundraises. We've looked at thousands of companies, and we have helped hundreds raise. The leading reason investors pass on a company is because the valuation is too high. This is also the most common reason we pass on a company. When a lot of investors pass, the word gets around. Your potential investors can tell that you've been raising for a long time. You can't hide it, and it's far from encouraging for investors. Your company becomes just like a house that gets listed for sale at a price out of line with the market, and then sits month after month after month with no offers. The average early stage consumer company that raises takes eight to twelve months to raise capital in the offline world. That's a very long time. If you're asking for a valuation that is meaningfully above average, you can bet your raise will take longer.The second type of pitfall comes for founders who actually get the too-high valuation they want, really initially raising successfully. If this year's tightening VC market has made anything clear, it's that mega-valuations early on are not always a precursor to long-term success. If you attract investors with a huge valuation, what happens when you need to raise again? Investors and entrepreneurs typically want subsequent rounds to have an even higher valuation, but potential investors in the next round may not be willing to mark the valuation. Now you've upset your existing investors. Their investment has now gone south. The spiral begins: Existing investors lose confidence in the CEO, new investors lose interest in the company and company can't raise the round it expected. It the worst case scenario, board members lose faith in the CEO, and then the CEO is out of a job, all because that he or she tried to reach for a high valuation early in the company's life rather strategically wait it out to maximize the valuation at full exit.Valuing the company is one of the most important tasks an entrepreneur will face. There is no formula. It's hard work. Do it wrong, and you and your company will suffer the consequences. But if you thoughtfully leverage data and comparable company analysis, use some common sense, and don't get greedy, you'll likely find a solid, real-world valuation that will be good for the company, investors, and the founders. Enterprise value (EV) is a measurement of the total value of a company. It includes the market capitalization of a company and any cash on the balance sheet, as well as both short-term and long-term debt. Enterprise value is often used as an alternative to equity market capitalization. It is often part of the discussion of company mergers and acquisitions as a way to understand the value of the companies concerned. Learn more about enterprise value, why it matters to your investments, and how to calculate it. Enterprise value is a calculation that theoretically represents the entire cost of a company if a single entity were to take it over. For a publicly traded company, this would mean buying up all of the shares of stock, effectively taking the company private. EV provides a more accurate estimate of takeover cost than market capitalization, because it takes includes a number of other important factors, such as preferred stock, debt (including bank loans and corporate bonds), market capitalization, and excess cash. A firm’s market capitalization consists only of the number of shares of stock it has, outstanding multiplied by its current share price. These numbers are combined to calculate the value of a company's debt and equity, minus cash that is not used for day-to-day operations. This value can then be compared to the value of other companies in the same industry and used to analyze investments or the value of a merger, trade, or acquisition. You can calculate enterprise value by adding a corporation’s market capitalization, preferred stock, and outstanding debt together and then subtracting the cash and cash equivalents found on the balance sheet. In other words, EV equates to the amount it would cost you to buy every single share of a company’s common stock and preferred stock as well as outstanding debt. You would subtract the cash balance, because once you have acquired complete ownership of the company, the cash becomes yours. To understand a company's enterprise value, you have to understand what each part of the equation represents. Sometimes referred to as "market cap," market capitalization is the number of shares of common stock multiplied by the current price per share. For example, if a business has 1 million shares of stock outstanding, and the current stock price is $50 per share, the company’s market capitalization is $50 million (1 million shares x $50 per share = $50 million market cap). Although it is technically equity, preferred stock can act as either equity or debt, depending upon the nature of the individual issue. A preferred stock issue that must be redeemed at a certain date at a certain price is, for all intents and purposes, debt. In other cases, preferred stockholders may have the right to receive a fixed dividend, plus they also would share in a portion of the profits. (This type is known as “participating.”) Preferred stock that can be exchanged for the common stock is known as "convertible preferred stock." Nevertheless, the preferred stock represents a claim on the business that must be factored into enterprise value. Once you’ve acquired a business, you’ve also acquired its debt. If you purchased all of the outstanding shares of a business for $10 million (the market capitalization), yet the business had $5 million in debt, you would actually have expended $15 million. The $10 million came out of your pocket today, but you are now also responsible for repaying the $5 million debt out of the cash flow of your new business. Once you purchase a business, you own whatever cash it has sitting in the bank. In effect, it serves to reduce your acquisition price. For that reason, you would subtract it from the other components when calculating enterprise value. Enterprise value can be used to understand the value of investing in a company as compared to its competitors. Some investors, particularly those who subscribe to a value investing philosophy, will look for companies that generate a lot of cash flow in relation to their enterprise value. Businesses that tend to fall into this category are more likely to require little additional reinvestment. However, there are downsides to using enterprise value as the only way of valuing a company. A high amount of debt, for example, can make a business look less valuable, even when that debt is being used appropriately. Businesses that require a lot of equipment, for example, often carry a lot of debt, but so do their competitors. This is why it is best to use enterprise value to compare businesses within the same industry, since their assets should be used in similar ways. Enterprise value is a measurement of the total value of a company that shows how much it would cost to buy the entire company, including its debt. To calculate it, add together market capitalization, preferred stock, and debt, then subtract cash and cash equivalents. Investors should use enterprise value to compare companies within the same industry. Market capitalization is the total value of a company. It's measured by the stock price times the number of shares issued. For example, a company that has 1 million shares that are selling for $10 each would have a market capitalization of $10 million. This means you could buy that company for $10 million if you had the money and all the current stockholders were willing to sell you their shares. Market capitalization is usually called market cap for short. It also refers to the total value of a stock exchange. For example, the market cap of the Nasdaq would equal the market cap of all the companies traded on the Nasdaq combined. Market capitalization is a company's total value in the stock market. The value of a company is calculated by the number of shares a company has times the price the stocks are selling at. Companies are separated into three different groups by investors depending on their market cap: small, medium, and large. Small caps have greater room for growth, medium caps have room for growth and stability, while large cap companies have the most amount of stability. Investors typically use market cap to divide the stock market into three broad size categories. Small cap companies have a market cap between $300 million to $2 billion. They are smaller companies, many of which recently went through their initial public offerings. They are riskier because they are more likely to default during a downturn. On the other hand, they have lots of room to grow and could become very profitable. The smallest small caps, with market caps of $250-$300 million, are called micro caps, where as those with market caps less than $50 million are often referred to as nanocaps. Mid cap companies have a capitalization of between $2 billion and $10 billion. Such companies are typically in the growth phase of their business cycle, working toward expanding market share and increasing competitiveness. They can offer more growth potential than large cap companies and can carry less risk than small cap companies. Large cap companies have the least risk because they typically have the financial resources to weather a downturn. Since they tend to be market leaders, they have less room to grow. The return may not be as high as small or mid cap stocks. On the other hand, they are more likely to reward stockholders with dividends. The market cap for these companies is $10 billion or more. Market cap is a relatively good way to quickly value a company. That's because stock prices are generally based on investors' expectations of a company's earnings. As earnings rise, stock traders will bid more for the stock price. Including the number of shares in the calculation offsets the impact of stock splits. Market cap would be a great way to value companies if they all had the same price to earnings ratio. Investors consider some industries to be slow growing or stodgy. Their stock prices are undervalued, and so are the market caps of companies in that industry. There are several other ways to determine the value of a company. One good way is to determine the net present value of its future cash flow or income. This gives the buyer an idea of what the return on investment will be. If a company's market cap is lower than the net present value of its cash flow, then it is undervalued, and a candidate for takeover. Another more conservative approach is to determine the total resale price of a company's assets. The drawback is that some assets would be difficult to value. Others may be worth more than their resale value. However, this is a good approach for a company that just wants to buy another company and sell off the assets for quick cash. A company with a market cap much lower than its resale value would be a target for this kind of takeover. During the Internet bull market in 1999, many companies' capitalization values were worth far more than their income or asset value. Irrational exuberance drove stock prices beyond a reasonable valuation. When the tech bubble burst, it led to the recession of 2001. In 2018, Apple became the first company traded in the U.S. to cross $1 trillion in market capitalization and just two years later it was the first to surpass the $2 trillion market cap milestone as well. Here's a list of the top 20 largest companies traded in the U.S. by market cap as of May 10, 2021: Apple: $2.17 trillion Microsoft: $1.9 trillion Amazon: $1.66 trillion Alphabet (Google): $1.60 trillion Facebook: $904.7 billion Berkshire Hathaway: $665.4 billion Tesla: $647.7 billion Alibaba: $610.7 billion Taiwan Semiconductor (TSMC): $605.8 billion Visa: $495 billion JP Morgan Chase: $488 billion Johnson & Johnson: $443.7 billion Walmart: $394.4 billion United Health: $394.1 billion Mastercard: $372 billion Nvidia: $368.7 billion Home Depot: $364.7 billion Bank of America: $361.4 billion Walt Disney: $335.5 billion Proctor and Gamble: $330.8 billion Most of these companies are all well-known, household names. Many have been on the top 20 list for years.