# Size Matters: Large, Medium, or Small-cap Companies

## The size of a company

The term "market capitalization," or "market cap," refers to the size of a company. Determine this figure by multiplying the number of shares outstanding by the price per share. For example, a company with five million shares at a current market value of $14 per share has a market cap of $70 million.

"Large-cap" stocks usually refer to companies with a total market capitalization of over $10 billion. These well-established firms have names that everyone knows and they trade on the major exchanges. Their massive size normally cushions them from the volatility associated with smaller firms. They do not constantly focus on growing larger through new undertakings, but instead aim to grow more profitable by expanding and servicing markets for their existing product lines.

Mid-cap stocks are often newer, but still established companies with market capitalization in the $2 billion to $10 billion range. They have proven themselves capable of meeting their customers' needs, but in an effort to grow and achieve greater success, may choose to assume additional risk. While many companies will remain in this mid-cap category and continue to provide satisfactory returns for their shareholders, others will successfully enlarge their scope and join the large-cap grouping.

Small-cap companies have market caps ranging from $300 million to less than $2 billion. This group generally includes businesses in the startup phase. These firms must hunt for ways to raise money, expand their production, search for new markets, and compete with others in the industry in order to hold onto their foothold and hopefully forge ahead in the field. Consider investments in these companies much more speculative than investing in medium- or large-cap enterprises.