THE ROCKY ROAD FROM AGGREGATE TO PER SHARE VALUE: ANTHROPIC'S VALUE PER SHARE!

Primary, diluted, partially diluted..

Aswath Damodaran

THE LEAD IN..

- I **valued Anthropic in a post on November 2, 2026, and while estimating a value of $1.475 trillion** for the equity in the company, I noted that the share count was a placeholder, while we waited for bankers to make a final judgment on how many shares would be outstanding in the company.
- I promised that I would return to **complete the per share valuation, when the details were made available**, and in an updated prospectus filed last week filled that gap.
- **The world has not stayed still in the fifteen days since my original valuation**, and both company-level and macro developments require an update to my valuation, as the **prospectus was updated to include third quarter numbers**, and the **midterm elections have potentially altered the economics of the AI business**, as data centers may become more difficult and expensive to build and AI regulations may become more stringent.

THE ELUSIVE SHARE COUNT

- **Primary share count**: The primary share count by looking at the shares in the company, across all classes of shares, that are owned by public market investors. That information is usually embedded in the balance sheet or in the footnotes, but with different numbers usually for authorized, issued and outstanding shares.
- **Restricted shares**: Restricted shares comprised shares that have been issued by the company to its employees, though in rare cases, they can be issued to the public. The restrictions take two forms. With employee issuances, there can be a vesting requirement, where an employee has to work for a specified period to be able to lay claim to the shares. The other is that even after vesting, these shares sometimes can come with restrictions on liquidity; i.e., the holders of these shares cannot trade the shares easily.
- **Options**: The third claim on equity can come from options granted by the company to employees and sometimes lenders, with the latter manifesting in convertible bonds or preferred stock. The former are part of employee compensation and come with specified maturities, and often require vesting, just like restricted stock. The latter are included with bonds, and used to raise money from investors, with the conversion option usually running for life time of the bond, giving holders of the bond the right to swap their bond for shares in the company.

WHAT MAKES OPTIONS DIFFERENT...

- Options give you the right to buy shares in the company at a fixed price (the exercise price), and as a consequence, they are different from primary and restricted shares in two ways.
  - The first is **that if the company's stock price drops below the exercise price (making it out of the money), it does not make sense to exercise the option**, thus keeping it out of the share count.
  - The second is that **even when the stock price is higher than the exercise price (making it in-the-money), holders may not exercise the option, because there may be an advantage to holding the option for longer, hoping for a bigger payoff.** This creates a time premium in the option, where the option is worth more than what you would get from exercise today. When you use an option pricing model, you are in effect trying to incorporate the current stock price, the exercise price, the likelihood that you will exercise the option and the expectations of future stock prices into a number.

SHARE COUNT CHOICES

- For some older and more mature companies, it is possible that the only shares outstanding are the primary shares, and getting a share count is easy.
- For most companies, though, and especially yoing firms that use stock-based compensation heavily (because they don't have the cash to pay employees), the restricted shares and options outstanding can make a significant difference.
  - The first is **just the primary share count**, which will be the lowest of the share count numbers.
  - The second is the **fully diluted share count**, where you count not just shares outstanding today, but all shares that could be outstanding if the restricted stock is vested and all options (employee and conversion) get exercised, giving you the highest share count.
  - There is an **intermediate solution of partially diluted shares**, where rather that count all restricted stock and options, you may count only the vested shares (for restricted shares) and the in-the-money options (for employee options).

SHARE COUNT IN INTRINSIC VALUATION: 1. BLUDGEON APPROACHES

- The **primary shares approach**, with the lowest share count, will yield the highest value per share, but in companies with restricted stocks and options outstanding, that value per share will be too high.
  - Primary share value per share = Aggregate Equity Value/ Primary shares outstanding
- The **fully diluted shares approach**, with the highest share count, will yield the lowest value per share, and many investors prefer it, contending that it is better to be conservative.
  - Fully diluted share value per share = Aggregate Equity Value/ Fully diluted shares outstanding
  - The problem with this approach, though, is that it counts all options, in and out of the money, as part of the share count, and not only assumes immediate exercise, but that the company will not receive the exercise proceeds, leading to an even greater underestimation.

2. A REFINED BLUDGEON

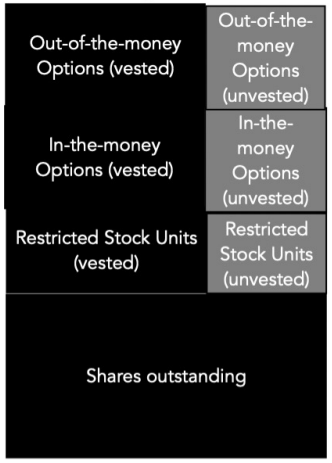
- The second approach (called the Treasury stock approach) tries to remedy the failure to include exercise proceeds from option exercise in value per share, **by adding those proceeds to the value of equity**, and doing so will push your value per share, relative to a diluted share value:
  - Treasury stock value per share = [Aggregate value of equity + Strike Price × Options outstanding]/ Partially diluted shares outstanding
- Here, you **use only the options that are in the money**, because out-of-the-money will give you a value boost by bringing an exercise price higher than the stock price that is fantasy.
- The problem with this approach is that it i**gnores the time premium on options, effectively undervaluing those options,** and will result in a value per share that is too high.

THE SCALPEL APPROACH

- The right approach in valuation is to **estimate the value of options**, using an option pricing model) and then **subtracting that value from aggregate equity value** to arrive at a equity value for just shares outstanding (primary and treasury). Dividing that residual value by a share count that includes only primary and restricted shares will come closest to capturing the correct value per share:
  - Option-adjusted value per share = [Aggregate value of equity − Value of options outstanding]/ (Primary + Restricted Shares outstanding)
- With this approach, **you no longer have to separate in-the-money from out-of-the-money options**, since both will have value, and the option pricing model will adjust the value for the exercise price (relative to stock price) and the life left on the option.

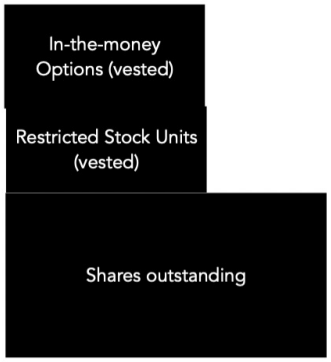
THE BIG PICTURE

Fully Diluted

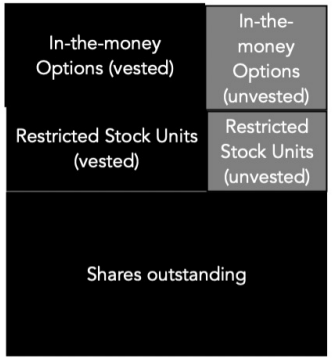


Value per share = Equity value/ Fully Diluted

Partially Diluted (excluding non-vested)



Partially Diluted (excluding vested)



Value per share = Equity value/ Partially Diluted

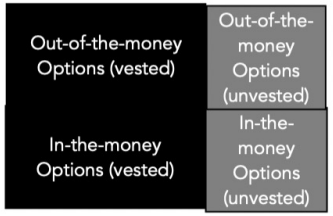
Primary



Value per share = Equity value/ Primary shares

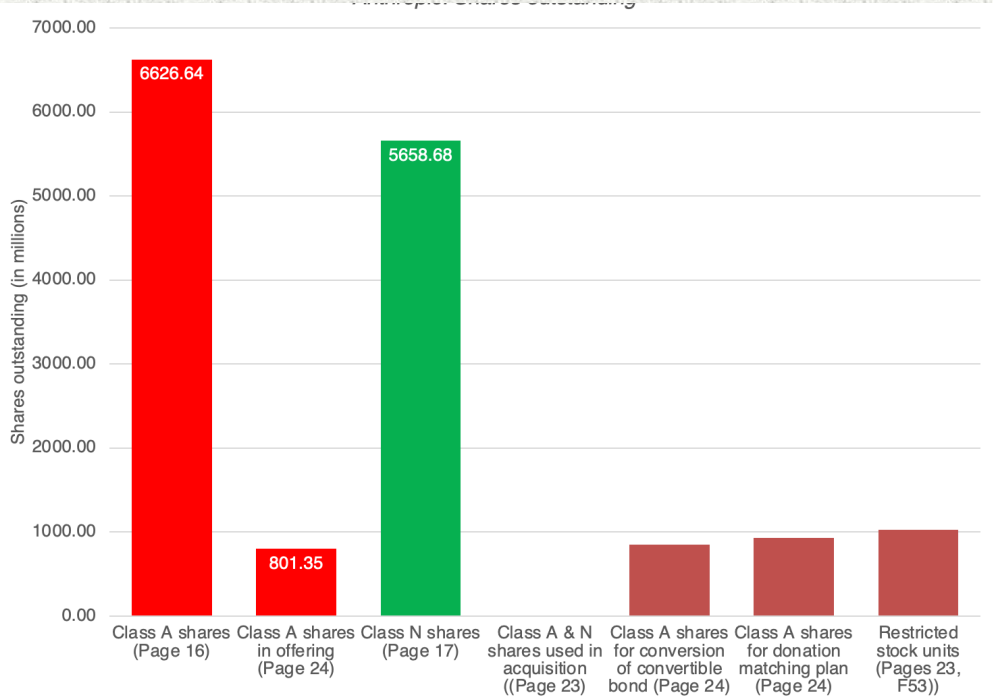
Shares separated from Options





Value per share = (Equity value/ - Option value) / (Primary shares +RSU)

ANTHROPIC: SHARE COUNT



	In millions of shares			
Class (Updated Prospectus page number)	*Authorized*	*Issued*	*Vested*	
Class A shares (Page 16)	10906.11	6626.64		
Class A shares in offering (Page 24)		801.35		
Class N shares (Page 17)	7128.89	5658.68		
Class A & N shares used in acquisition ((Page 23)		1.41		
Class A shares for conversion of convertible bond (Page 24)		853.39		
Class A shares for donation matching plan (Page 24)		933.70		
Restricted stock units (Pages 23, F53))		1026.66	0.00	
Total shares outstanding		**15901.84**		
	In millions of shares			
	Outstanding	*Vested*	*Exercise Price*	*Maturity*
Employee options (Pages 23, **F52)**	**1774.34**	1081.67	$2.91	8.00

UPDATES TO VALUATION

- I **updated the base year numbers (for the last twelve months) to include the third quarter data** that was provided in the updated prospectus.
- I adjusted the cash proceeds **down from $100 billion, a rumored value at the time of my original valuation, to about $60 billion**, based on an expected offering price of $74 and the disclosed shares that they plan to issue (801 million). That lowers the post-IPO value of equity by the difference of $40 billion.
- I do not want to overreact to the election results, but I do think it is **prudent to assume that building data centers will become more expensive (captured by lowering the sales Anthropic will get per dollar of capital invested in the first five years from $3 to $2.75**. This increases expected reinvestment and lowers cash flows).
- It is unclear whether and how a new Congress will regulate AI, but here again the prudent path seems to be **that the drag on margins will get larger, from 5% to 6%**, lowering the target margin to 26.5%.

Claude's Bar Mitzvah Moment

Anthropic will continue to deliver scorching growth in the near term delivering revenues of close to $100 billion next year on its way to generating revenues of $1 trillion of an AI market powered to replace labor and revenues from niche businesses like pharmaceuticals, with its own division. The company has high gross margins,with compute costs becoming fixed costs, and as revenues rise, operating margins should move higher, with revenues tilted towards premium pricing, but adjusted for higher costs as regulatory risks rise. The main reinvestment will be in compute power, and that cost, while high now, will ease over time. The high compute commitments will create the risk of failure, if revenues do not rise near term, but costs of capital will decrease to that of a risky US company (third quartile).

The Assumptions

	Base year	*Next year*	*Years 2-5*	*Years 6-10*	*After year 10*	*Link to story*
Revenues (a)	$35,282.00	190.0%	42.00%	Changes to	4.90%	High growth leading into IPO will push revenues up significantly next year, and as AI products and services displace labor in selected industries, the market expands to allow for more growth. In some niche businesses, like drugs, Anthropic has potential to generate its own revenues.
Operating margin (b)	-131.27%	5.0%	Moves to	26.50%	26.50%	Margins improve, with pricing power on premium products, and compute costs are largely grow at rates lower than revenues.
Tax rate	0.00%		0.00%	Changes to	25.00%	Global/US marginal tax rate over time
Sales to Capital (c)		2.75	2.75	3.00	32.67%	Compute costs scarcity and costs will ease over time, allowing for lower reinvestment to sustain growth.
Return on capital	-8.78%	Marginal ROIC =	74.31%		15.00%	Closed frontier models with client data create stickiness that will create long term competitive advantages for Anthropic.
Cost of capital (d)			9.74%		9.13%	Cost of capital starts at about the 90th percentile and moves close to the 75th percentile company over time

The Cash Flows

	Revenues	*Operating Margin*	*EBIT*	*EBIT (1-t)*	*Reinvestment*	*FCFF*
1	$102,317.80	5.00%	$5,115.89	$5,115.89	$15,626.72	-$10,510.83
2	$145,291.28	13.60%	$19,759.61	$19,759.61	$22,189.94	-$2,430.33
3	$206,313.61	17.90%	$36,930.14	$36,930.14	$31,509.72	$5,420.42
4	$292,965.33	22.20%	$65,038.30	$65,038.30	$44,743.80	$20,294.51
5	$416,010.77	26.50%	$110,242.85	$110,242.85	$52,311.46	$57,931.39
6	$559,867.29	26.50%	$148,364.83	$140,946.59	$50,686.65	$90,259.94
7	$711,927.25	26.50%	$188,660.72	$169,794.65	$46,844.81	$122,949.84
8	$852,461.68	26.50%	$225,902.35	$192,016.99	$35,007.76	$157,009.23
9	$957,484.96	26.50%	$253,733.52	$202,986.81	$15,638.92	$187,347.89
10	$1,004,401.73	26.50%	$266,166.46	$199,624.84	$16,405.23	$183,219.62
Terminal year	$1,053,617.41	26.50%	$279,208.61	$209,406.46	$68,406.11	$141,000.35

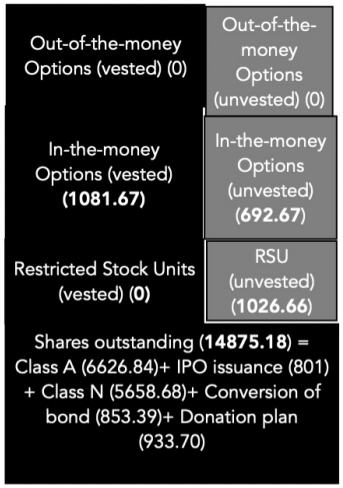
The Value

Terminal value	$3,333,341.61	
PV(Terminal value)	$1,338,095.99	
PV (CF over next 10 years)	$389,762.72	
Value of operating assets =	$1,727,858.71	
Adjustment for distress	$86,392.94	Probability of failure = 10.00%
- Debt & Minority Interests	$485,319.79	*Includes lease, purchase and compute commitments,discounted back to today.*
+ Cash & Other Non-operating assets	$195,409.97	*Includes estimated $100 billion from offering with share count adjusted to instrinsic value*
Value of equity	$1,351,555.96	
- Value of equity options	$127,427.25	*Value of existing employee options*
Number of shares	15,901.84	*Share count is still tentative, but includes restricted shares to employees*
Value per share	$76.98	Stock was trading at = $74.00

Aswath Damodaran

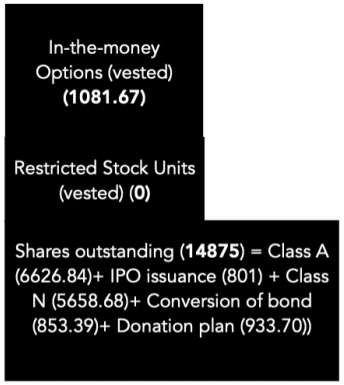
ANTHROPIC VALUE PER SHARE

Fully Diluted



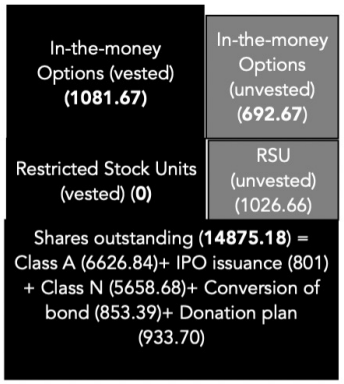
Fully diluted shares = 17,676.18
Value per share = $1,351,556/ 17676.18= $76.46

Partially Diluted (excluding non-vested)



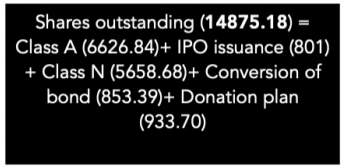
Partially diluted shares = 15,965.85
*Value per share = $1,351,556/ 15965.85= **$84.70***

Partially Diluted (including non-vested)



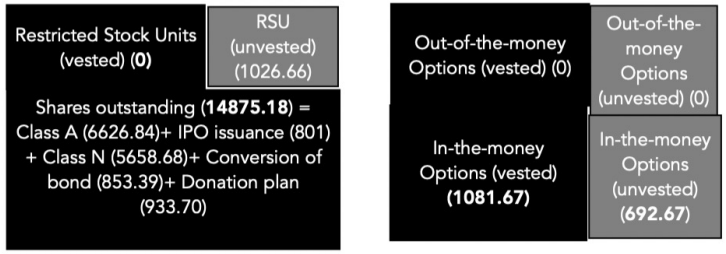
Partially diluted shares = 17,676.18
*Value per share = $1,351,556/ 17676.18= $**76.46***

Primary



Fully diluted shares = 14,875.18
*Value per share = $`1,351,556/ 14875.18= $**90.86***

Shares separated from Options



Shares (no options) = 15,901.84
Value of all options = $127,427 m
*Value per share = ($1,351,556 - $127,427)/ 15902.84 = $**76.98***

SHARE CLASSES

- Note **that I have studiously** avoided trying to estimate the value per share, by share class, in spite of the fact that the shares differ in voting rights.
- That is because of the **company's uncommon voting structure, where the voting rights reside in a single share owned by the founders**.
- The closest parallel I can think of for this structure are the **golden shares that governments put into government-owned utilities and companies that were privatized in the 1980s and 1990s**. That **golden share gives governments veto power over major decisions**, but not power over the day-to-day operating choices made by a company.
- Anthropic's founder share is far more powerful, and **I do think that there is a danger in loading up this much power in a single share**. I don't want to give governments and regulators ideas, but I can visualize an **activist regulator, finding Anthropic at fault for an AI accident, and deciding to expropriate the founder's share** to make the company a government-controlled utility. I am sure that the founders will try to get the courts to step in, claiming (rightly) expropriation, but why tempt fate?

SHARE COUNT IN PRICING

- You may be uninterested in intrinsic value and focused on pricing Anthropic in the market, but **you will still run into share count in multiple places.**
  - The first is in the **market cap**, a number that gets used widely to rank firms and talk about valuations, where using different share count measures can lead to very different market cap estimates.
  - The second is in **computing pricing multiples, where market cap becomes an input into estimating enterprise value or is used a stand alone.**
  - The third is in **computing per share numbers for earnings, revenues or any other metric**, since per share requires the use of a share count; the primary earnings per share will be very different from fully diluted earnings per share.

SERVICES DISAGREE, EVEN ON THE MAG SEVEN

Company	Cap IQ	Yahoo! Finance	Google Finance
Alphabet	$3,430,273	$3,432,000	$3,460,000
Apple	$5,114,020	$5,122,000	$5,120,000
Amazon	$2,788,600	$2,895,000	$2,900,000
Meta	$1,581,981	$1,576,000	$1,600,000
Microsoft	$3,759,437	$3,775,000	$3,770,000
Nvidia	$3,753,892	$3,645,000	$3,640,000
Tesla	$1,502,483	$1,517,000	$1,520,000
SpaceX	$1,924,437	$1,949,000	$1,950,000

THE CORRECT MARKET CAP

- The differences are small in this group, but as you look at younger and high-growth firms, especially with large stock-based compensation overhangs, the differences will widen.
- What is the correct market capitalization for a company? I can offer an answer, but I can also guarantee you that there is no single service that I know of that following this practice. It is to **take the option-adjusted approach in valuation and flip it around to get a market capitalization**:
  - *Option-adjusted Market Capitalization = (Share price × Number of primary and restricted shares outstanding) + Value of employee options and conversion options, at current stock price*
- This will **yield values that allow you to compare companies with very different option counts**, as well as differences in how in-the-money the options are at each company.

THE SHARE COUNT END GAME

- **Most investors and analysts pay little heed to share count**, and how it is computed, and with mature firms, that oversight may have only minor consequences.
- As **your search leads you to look at firms earlier in the life cycle**, I would recommend paying attention to the footnotes, especially related to restricted stock and employee options, and if you have convertibles, to how the conversion option is being accounted for.
- **With Anthropic, it is the accounting for the surge in the value of the conversion option**, as its pricing increased in private markets, that led to the $74 billion one-time and non-cash charge to earnings in 2026.