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Facebook Valued at \$11.5 Billion in SharesPost Index

By Michael Tsang

Facebook Inc., the largest social networking site, was valued at \$11.5 billion in a new index created by SharesPost Inc., a marketplace for trading in private companies.

The SharesPost Venture-Backed Index tracks seven companies from Twitter Inc. and LinkedIn Corp. to Zynga Game Network Inc., Santa Monica, California-based SharesPost said in a release. The March 1 valuation of Facebook is almost double what Russia's Digital Sky Technologies offered to pay for common shares in July. In 2007, Redmond, Washington-based Microsoft Corp. bought a 1.6 percent stake in Facebook that valued it at \$15 billion.

The index, which SharesPost says is the first of its kind, is aimed at helping potential buyers and sellers determine what companies backed by venture-capital and private-equity firms are worth and encourage more trading of their shares. It may also enable owners of start-up companies to gauge investor demand before they file for initial public offerings, SharesPost said.

"We're trying to create a reference point," Greg Brogger, SharesPost's chief executive officer, said in an interview. "There's so little information available in the private-company space. The index gives people an easier way to have a benchmark they can use in conversation about a company's value and then the ability to track changes in the value of these companies."

Twitter, MySpace

Twitter of San Francisco, the third-largest U.S. social networking site behind Facebook and Beverly Hills, California-based MySpace, had a value of \$1.44 billion in the index. Jenna Sampson, a spokeswoman for Twitter, didn't return an e-mail message seeking comment.

News Corp. in New York purchased Los Angeles-based Intermix Media Inc., which operated marketing and entertainment Web sites from MySpace.com to Flowgo.com, in October 2005 for \$411 million, according to data compiled by Bloomberg. News Corp., which has a capitalization of almost \$38 billion, took \$452 million in writedowns in the quarter ended in June 2009, mainly from the Fox Interactive Media unit that includes MySpace.

LinkedIn, the Mountain View, California-based online business-networking company, was valued at \$1.31 billion in the SharesPost gauge. Tesla Motors Inc. of Palo Alto, California, Serious Materials Inc. in Sunnyvale, California, and San Francisco-based Linden Lab are also part of the index.

More than \$229 million in transactions have been completed since SharesPost started in June, the company said today.

Valuation Metrics

SharesPost calculates the average value for each company from its most recent transaction price on the platform; the midpoint level between the latest bid and offer prices; valuation estimates from research reports; and any venture financing in the past six months. Transactions and reports from more than 120 days ago are omitted from the calculation.

For Facebook, SharesPost arrived at an \$11.5 billion valuation by averaging the latest bid and offer prices that implied the networking site was worth \$17.25 billion and research estimates of \$5.79 billion. There have been no reported transactions in the past 120 days or any financing in the past six months. The only posted trade for Facebook shares on the SharesPost platform occurred in August.

Brogger said that doesn't reflect the total amount of trading in Facebook shares by SharesPost users because buyers and sellers must both agree to disclose the terms of any sale before it is posted on the Web site. SharesPost also facilitates trades between users that are negotiated away from the venue and aren't reported on the platform, he said.

Digital Sky, Google

Facebook's valuation implies a stock price of about \$26 each, based on an estimated 442.4 million diluted shares, according to SharesPost. That's 76 percent higher than the \$14.77 Digital Sky offered to pay for each common share of Palo Alto, California-based Facebook in July. That offer gave Facebook a valuation of \$6.5 billion.

The IPO of Google Inc. valued the owner of the world's most popular Internet search engine at \$23 billion in August 2004. The Mountain View, California-based company now has a market capitalization of \$173.4 billion, Bloomberg data show.

Facebook's Chief Executive Officer Mark Zuckerberg, 25, who started the service as a Harvard University student in 2004, said last year that he expected Facebook to have an IPO, though he wasn't focused on it. Larry Yu, a spokesman for Facebook, declined to comment today.

'Mafia Wars'

Zynga, the San Francisco-based maker of the “Mafia Wars” and “FarmVille” games played on Facebook, was valued at \$2.61 billion on March 1, according to the SharesPost measure.

That’s more than double the \$1 billion value that Terry Schallich, the head of capital markets at Portland, Oregon-based Pacific Crest Securities, a technology-focused investment bank, in November estimated the company may command if taken public.

Zynga spokeswoman Shernaz Daver declined to comment.

Activision Blizzard Inc. of Santa Monica, California, the world’s largest video-game company, has a market capitalization of \$13.7 billion. Redwood City, California-based Electronic Arts Inc., the second-biggest video-game publisher, is valued at \$5.5 billion, data compiled by Bloomberg show.

Tesla, the maker of electric sports cars that hasn’t posted a profit in six years, is the only company of the seven in the index that has already filed for an IPO. The valuation for the producer of the \$109,000 electric Roadster in the SharesPost gauge was \$1.28 billion as of March 1.

Backed by investors including Google’s co-founders Larry Page and Sergey Brin, Tesla said it may use proceeds from its sale to pay for factories and equipment and fund acquisitions, a filing with the Securities and Exchange Commission showed.