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How much has Facebook's valuation grown this year? Not much, says Sharespost report

By Kim-Mai Cutler

Exhibit 31: Facebook's Revenues

	2005	2006	2007	2008	2009E	2010E	2011E	2012E	2013E	2014E
Revenues (\$M)	\$10	\$50	\$150	\$275	\$524	\$725	\$929	\$1,124	\$1,325	\$1,534
%y/y growth		400%	200%	83%	91%	38%	28%	21%	18%	16%

Source: Company Reports and NeXt Up Research

Has a bull market help lift Facebook's value in the eyes of investors?

Not really, says a report by NeXt Up Research, a firm founded by Michael Moe, a former director of global growth research at Merrill Lynch. Expectations of \$1.5 billion or more in annual revenue by 2014 have already been priced in, plus much of Facebook's growth is now taking place in the developing world, where it's less profitable per user.

NeXt Up pegs Facebook's valuation at between \$5.07 and \$6.5 billion, or roughly what Russia's Digital Sky Technologies thought the company was worth when it invested an initial \$200 million in the spring. (DST bought preferred shares at a \$10 billion valuation, and then common stock at the \$6.5 billion valuation.)

So how did the firm arrive at that number? NeXt Up took expected revenues of \$1.534 billion in 2014, multiplied them by net margins of 25 percent and a growth multiple of 25. It then discounted that by 15 percent back to 2010 (to account for the time-value of money and the risk premium).

Of course, valuations are a rough science particularly when there aren't exactly comparable companies trading on the public market at this time. (MySpace is owned by News Corp. and Twitter is still private.) One publicly traded social networking company is China's Tencent, which saw its market capitalization reach \$35 billion on the back of social gaming revenue last week.

What's interesting about the report is that NeXt Up thinks that virtual goods and songs will bring in about one-third or more than half a billion of Facebook's revenue by 2014. That's up from an estimated \$70 million this year, while advertising brings in \$450 million in revenue.

You can check out the full report at SharesPost, which is a secondary market for illiquid assets like shares in pre-IPO, venture-backed companies.

Exhibit 30: Facebook's Revenues

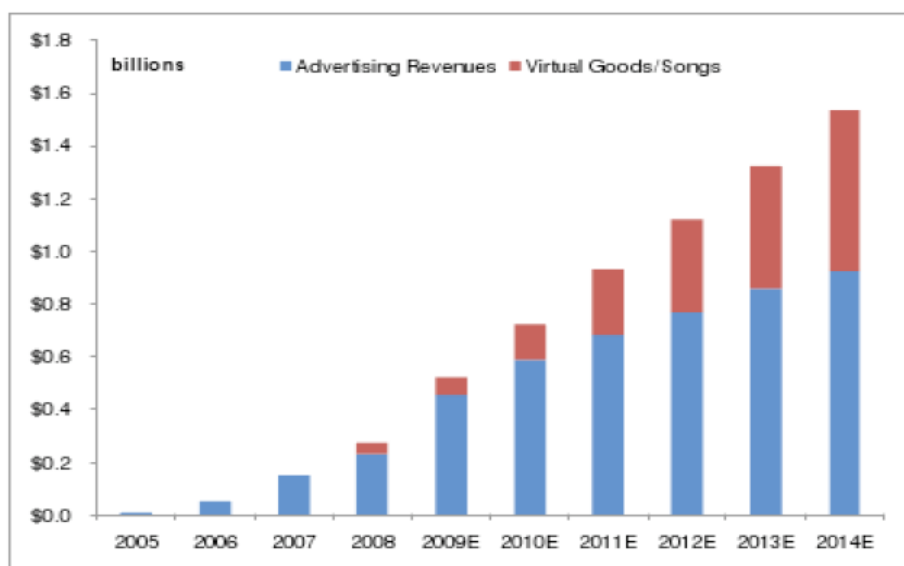


Exhibit 33: Comparables for Search Engines and SNS's

Company Name	Ticker	Enterprise Value	Revenues		EV/Revenues		Secular Growth (Est)	EBITDA Margin (Est)
			CY09E	CY10E	CY09E	CY10E		
Google	GOOG	160,163	17,376	20,295	9.2	7.9	25%	60%
Yahoo!	YHOO	18,794	4,655	4,844	4.0	3.9	20%	30%
Xing	OIBC	198	102	126	2.0	1.6	25%	30%
Tencent	700	37,847	1,767	2,452	21.4	15.4	35%	45%
Mixi	2121	1,249	150	180	8.3	6.9	35%	31%
Baidu	BIDU	14,287	638	898	22.4	15.9	37%	45%
Sohu	SOHU	1,584	517	621	3.1	2.6	25%	43%
				MEAN	10.1	7.7	29%	41%
				MEDIAN	8.3	6.9	25%	43%

Source: Capital IQ, Next Up Research Estimates