



A TWEET FROM US –November 2013

Anticipating Twitter's IPO next week (November 7 2013), we attempt to value the enterprise and accordingly, share our views.

It is obvious that the nature of social network-based businesses in general and Twitter's operations as evidenced from the recent years pose a certain challenge to our estimations and over all valuation.

As a result we approached Twitter's valuation using two methods:

- We used selected average multiples for comparable, publicly listed companies including the largest search engines such as Google, Baidu, internet portals such as Yahoo, Sohu, the largest merchandise web site (Amazon.com) as well as Social networking/ Gaming players like Facebook, LinkedIn and Zynga, in order to approach the future behavior of Twitter's Market Cap.

We derive three estimates based on the low, median and "high" multiples of the above and our projections for Revenues, EBITDA, Net Income for years the 2013-2014. The high estimated Market Cap. and Price closely follow Facebook's multiples and appear appropriate.

- We attempted to value Twitter's future cash flows using estimates on future revenues and costs. Revenues can be broken into two basic categories a) Advertising revenue based on the activity of the monthly active users (MAU) and the fees generated by them and b) Data licensing revenues incurred by third parties whom Twitter provides monitoring services regarding various statistics.

Accordingly, we estimate the future revenues, costs and cash flows extrapolating the previously rapid growth of the company's customer base (MAU), the promising potential of its International expansion and a better usability and pricing structure in the years to come. As a result, at 577 million MAUs by 2015 and 1 billion MAUs by 2017 and 22% active MAUs and 12 thousand views per MAU to 16,5 thousand by 2017 (conservative levels) and without accounting for the exponential growth in mobile usage which will account for the future growth in revenues-earnings, we derive a fair enterprise value for Twitter of 7.34 billion USD or 11,84 USD per share.

Happy tweets!

SECTOR STATISTICS

→SOCIAL NETWORKS / INTERNET SEARCH ENG. /INTERNET SALES←

Symbol:	FB	GOOG	AMZN	LNKD	YHOO	YELP	ZNGA	BIDU	SOHU	Low	Median	Hi
Co. Name	Facebook, Inc.	Google Inc.	Amazon.com, Inc.	LinkedIn Corporat	Yahoo! Inc.	Yelp Inc. Class A	Zynga Inc.	Baidu, Inc.	Sohu.com Inc.			
Price:	50.21	1,030.58	364.03	223.67	32.94	67.75	3.58	160.80	66.96			
M.Cap*1000	122,300,000	344,300,000	166,700,000	25,073,000	34,313,000	4,419,000	2,880,000	56,243,000	2,563,000			
52W. High	45.62	1,041.52	313.62	257.56	35.06	66.24	4.05	169.75	70.63			
52W. Low	17.55	636.00	218.18	94.75	16.95	16.32	2.09	82.98	34.84			
EPS	0.338	36.746	0.276	0.263	1.159	-0.206	-0.077	4.782	2.384			
P/Sales	19.98	6.00	2.38	20.16	7.21	24.73	2.86	13.50	2.08	2.08	7.21	24.73
Rev./User	6.69	N/A	319.00	0.19	N/A	N/A	6.77	N/A	N/A	0.19	6.73	319.00
Ebitda/Sales	0.38	0.29	0.01	0.13	0.38	0.01	0.04	N/A	N/A			
Dept/Equity	12.62%	21.01%	71.48%	19.50%	16.18%	12.44%	18.57%	40.37%	53.14%	12%	20%	71%
EV/Ebitda	42.86	16.97	49.54	164.51	26.87	-2.05K	13.29	24.73	6.65	6.65	25.80	164.51
P/E	149.00	22.43	1,262.00	766.00	27.68	N/A	N/A	33.63	28.09	22.43	33.63	1,262.00
PEG	2.27	1.43	13.03	2.61	1.76	N/A	N/A	1.46	N/A			
P/BV	9.82	4.15	18.35	22.53	2.75	25.26	1.54	11.29	2.21	1.54	9.82	25.26
Div./Sh.	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00			
St.Exch.	NasdaqNM	NasdaqNM	NasdaqNM	NYSE	NasdaqNM	NYSE	NasdaqNM	NasdaqNM	NasdaqNM			

Twitter (symbol: TWTR)

Actual	Shares out.	HY 2013 Sales	HY 2013 EBITDA	HY 2013 Net Income	Active users	Rev. per User	Debt/Equity	Active users HY 2013	Active Users 9m. 2013	
	620,000,000	253,635,000	-14,176,000	-69,251,000	218,000,000	1.16	22%	218,000,000	232,000,000	
Estimate	Shares out.	FY 2013 est.sales	FY 2014 est sales	FY 2013 est. ebitda	FY 2014 est. ebitda	FY 2013 est. net income	FY 2014 est. net income	Active users est. 2013	Active Users est 2014	
	620,000,000	598,000,000	886,560,000	58,600,000	125,462,400	-38,522,000	30,346,272	250,000,000	380,000,000	
Multiples senario analysis					Low	Median	High			
P/E multiple est. market cap					680,666,881	1,020,545,127	3,034,627,200			
P/Sales multiple est. market cap					1,844,044,800	6,392,097,600	21,924,628,800			
EV/Ebitda multiple est. market cap					834,324,960	3,236,929,920	5,377,318,464			
Average est. market cap					1,119,678,880	3,549,857,549	10,112,191,488			
Estimated fair Price/Share					1.81	5.94	11.41			

B. Income Statements Actual & Projected

	2012	2013H	FY2013	FY14	FY15	FY16	FY17
Advertising Services	269,421,000	221,432,000	528,000,000	802,560,000	1,844,553,600	4,097,274,624	5,251,703,040
Data Licensing	47,512,000	32,203,000	70,000,000	84,000,000	96,600,000	106,260,000	114,760,800
Total Revenue	316,933,000	253,635,000	598,000,000	886,560,000	1,941,153,600	4,203,534,624	5,366,463,840
Cost of Revenue	128,768,000	91,828,000	179,400,000	265,968,000	582,346,080	1,261,060,387	1,609,939,152
Gross Margin	40.63%	36.20%	30.00%	30.00%	30.00%	30.00%	30.00%
RnD	119,004,000.00	111,837,000.00	224,000,000.00	265,968,000.00	543,523,008.00	1,176,989,694.72	1,395,280,598.40
SnM	86,551,000.00	77,697,000.00	156,000,000.00	221,640,000.00	446,465,328.00	966,812,963.52	1,234,286,683.20
GnA	59,693,000.00	35,096,000.00	70,000,000.00	97,521,600.00	174,703,824.00	378,318,116.16	482,981,745.60
Total Cost	394,016,000.00	316,458,000.00	629,400,000.00	851,097,600.00	1,747,038,240.00	3,783,181,161.60	4,722,488,179.20
EBITDA	(4,577,000.00)	(14,176,000.00)	58,600,000.00	125,462,400.00	284,115,360.00	510,353,462.40	733,975,660.80
EBITDA Margin	-1.44%	-5.59%	9.80%	14.15%	14.64%	12.14%	13.68%
D&A	72,506,000.00	48,647,000.00	90,000,000.00	90,000,000.00	90,000,000.00	90,000,000.00	90,000,000.00
EBIT	(77,083,000.00)	(62,823,000.00)	(31,400,000.00)	35,462,400.00	194,115,360.00	420,353,462.40	643,975,660.80
Interest	(2,486,000.00)	(2,746,000.00)	(6,000,000.00)	(6,000,000.00)	(6,000,000.00)	(6,000,000.00)	(6,000,000.00)
Other	399,000.00	(2,548,000.00)	(2,548,000.00)	(2,548,000.00)	(2,548,000.00)	(2,548,000.00)	(2,548,000.00)
EBT	(79,170,000.00)	(68,117,000.00)	(39,948,000.00)	26,914,400.00	185,567,360.00	411,805,462.40	635,427,660.80
Tax	(229,000.00)	(1,134,000.00)	(1,198,440.00)	807,432.00	(1,198,440.00)	37,113,472.00	82,361,092.48
Net Income	(79,399,000.00)	(69,251,000.00)	(41,146,440.00)	27,721,832.00	222,680,832.00	494,166,554.88	762,513,192.96

C. Cash Flows Actual & Projected

	2011	2012	2013E	2014E	2015E	2016E	2017E
EBIT	(127,411,000.00)	(77,083,000.00)	(31,400,000.00)	35,462,400.00	194,115,360.00	420,353,462.40	643,975,660.80
Tax Rate	1.01	1.00	98%	98%	0.80	0.80	0.80
NOPAT	(128,829,012.76)	(76,860,036.67)	(30,877,258.25)	34,872,028.12	155,292,288.00	336,282,769.92	515,180,528.64
Depreciation	24,192,000.00	72,506,000.00	90,000,000.00	90,000,000.00	90,000,000.00	90,000,000.00	90,000,000.00
CAPEX	11,546,000	50,599,000	52,000,000	60,000,000	70,000,000	50,000,000	50,000,000
IWC	42,054,000	53,346,000	19,304,000	38,000,000	30,000,000	20,000,000	20,000,000
Cash Flows	(158,237,012.76)	(108,299,036.67)	(12,181,258.25)	26,872,028.12	145,292,288.00	356,282,769.92	535,180,528.64

ENTERPRISE VALUE	7,342,045,629.06
Debt	0
Shareholders' Value	7,342,045,629.06
Shares Out.	620,000,000
Fair Estimated Price	11.84

Οδηγός Συστάσεων/Ratings

Σημειώσεις/Notes

P:	Τρέχουσα Τιμή	Market Price			
MCAP:	Κεφαλαιοποίηση	Capitalization	UV	Χαμηλή Αποτίμηση/ Χαμηλός Κίνδυνος	Underpriced/ Small Risk
EPS:	Καθαρά Κέρδη Ανά Μετοχή	Earnings per Share	UV1	Χαμηλή Αποτίμηση/ Κίνδυνος	Stock Price < 20% of Fair Underpriced/ Risk
P/E:	Λόγος Τιμής προς Κέρδη	Price/Earnings Ratio	FV	Σωστή Αποτίμηση/ Χαμηλός Κίνδυνος	Stock Price < 10% of Fair Fairly Priced/ Small Risk
P/S:	Λόγος Τιμής προς Πωλήσεις	Price/Sales Ratio	OV1	Σωστή Αποτίμηση/ Κίνδυνος	10%<Stock Price<10% Fairly Priced/ Risk
D/A:	Συνολικός Δανεισμός προς Παθητικό	Total Debt/Assets Ratio	OV	Υπερτιμημένη Μετοχή	Stock Price >10% of Fair Overvalued Stock Price >20% of Fair
DY:	Απόδοση Μερίσματος	Dividend Yield			
ROE:	Απόδοση Ιδίων Κεφαλαίων	Return on Equity			
FV:	Τιμή Σωστής Αποτίμησης	Fair Value Price			

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