

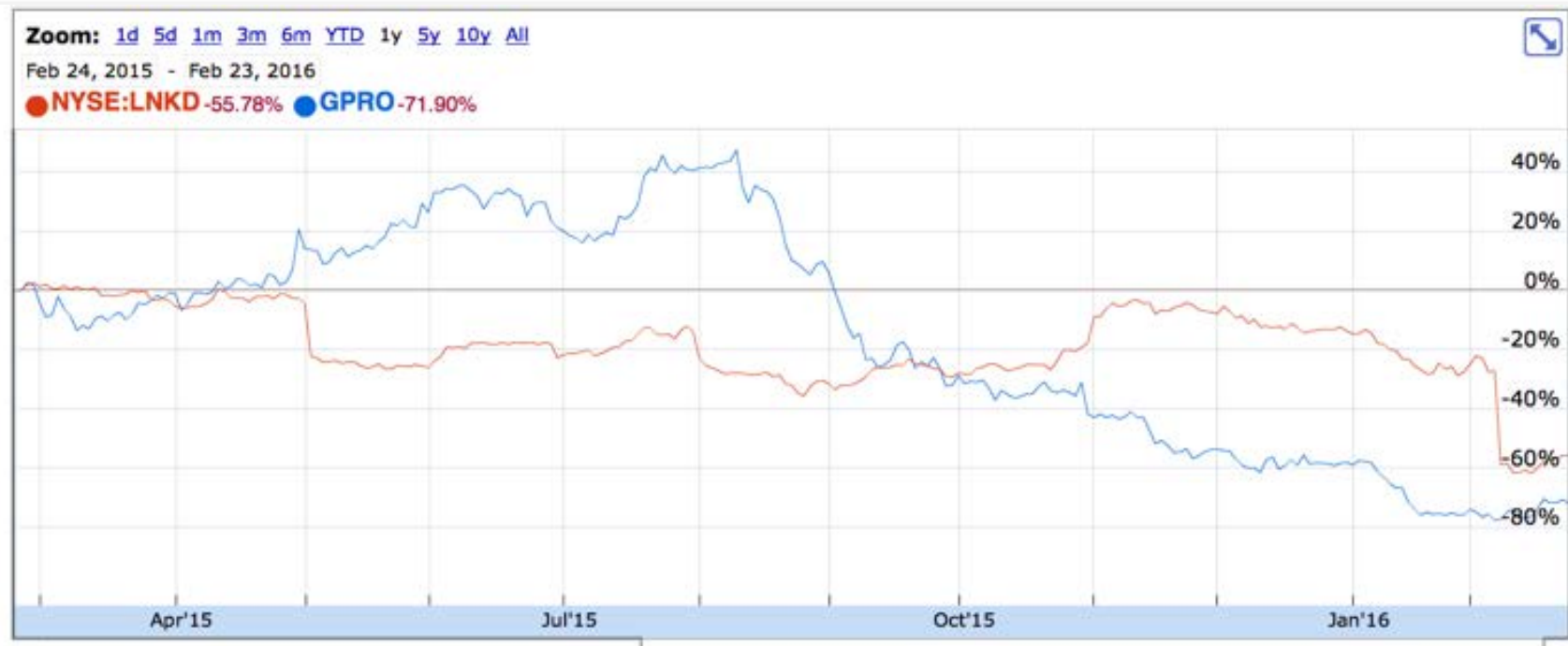


# ICARUS OR LAZARUS? THE GOPRO AND LINKEDIN QUESTION!

February 2016  
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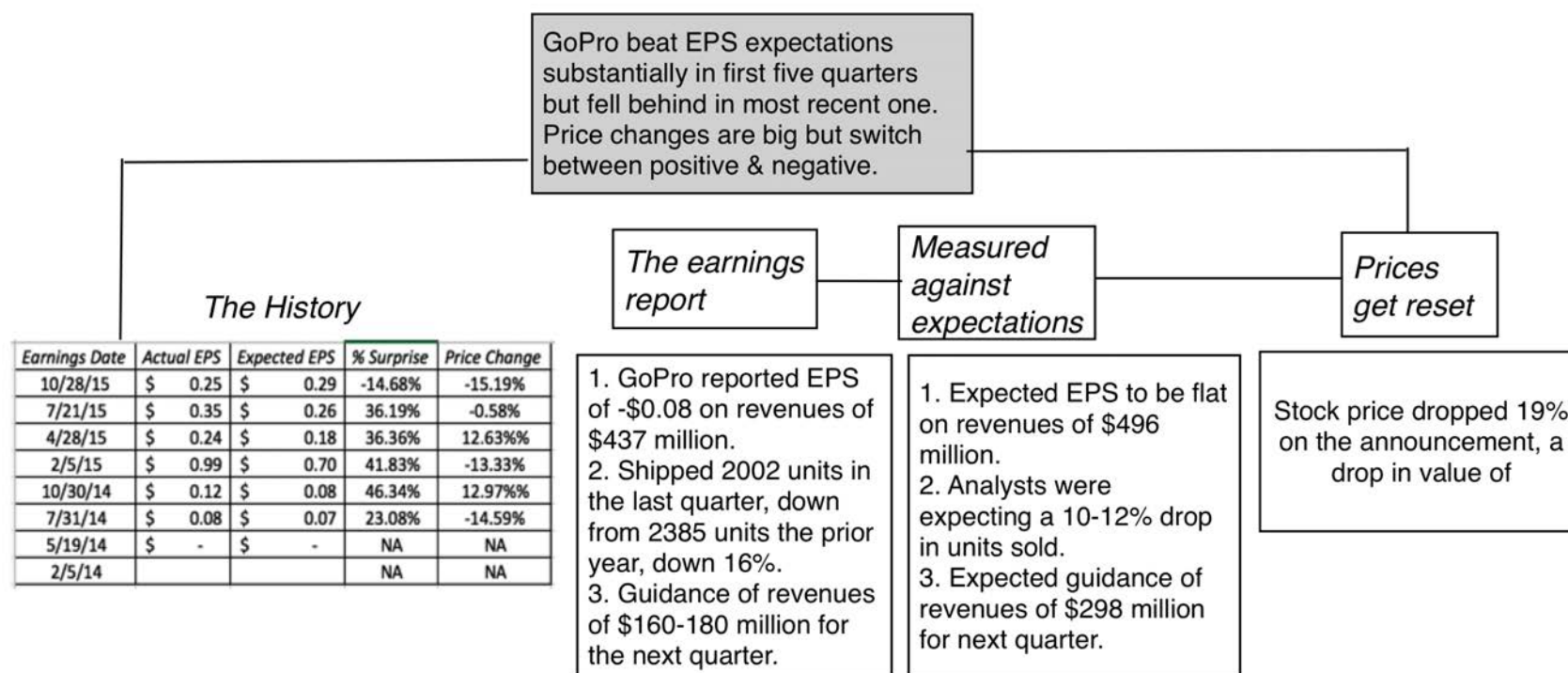
# LinkedIn and GoPro – The Rise and Fall

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# GoPro's Earnings Report (2/3/16): The Pricing Effect

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# GoPro's Earnings Report: The Story Effect

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## Pre-report Narrative

GoPro is an action camera company that draws on smart phone users who are active on social media. It's primary product faces stronger competition as competitors (some with deep pockets) enter the business.

## GoPro's Earnings Report on February 3, 2016

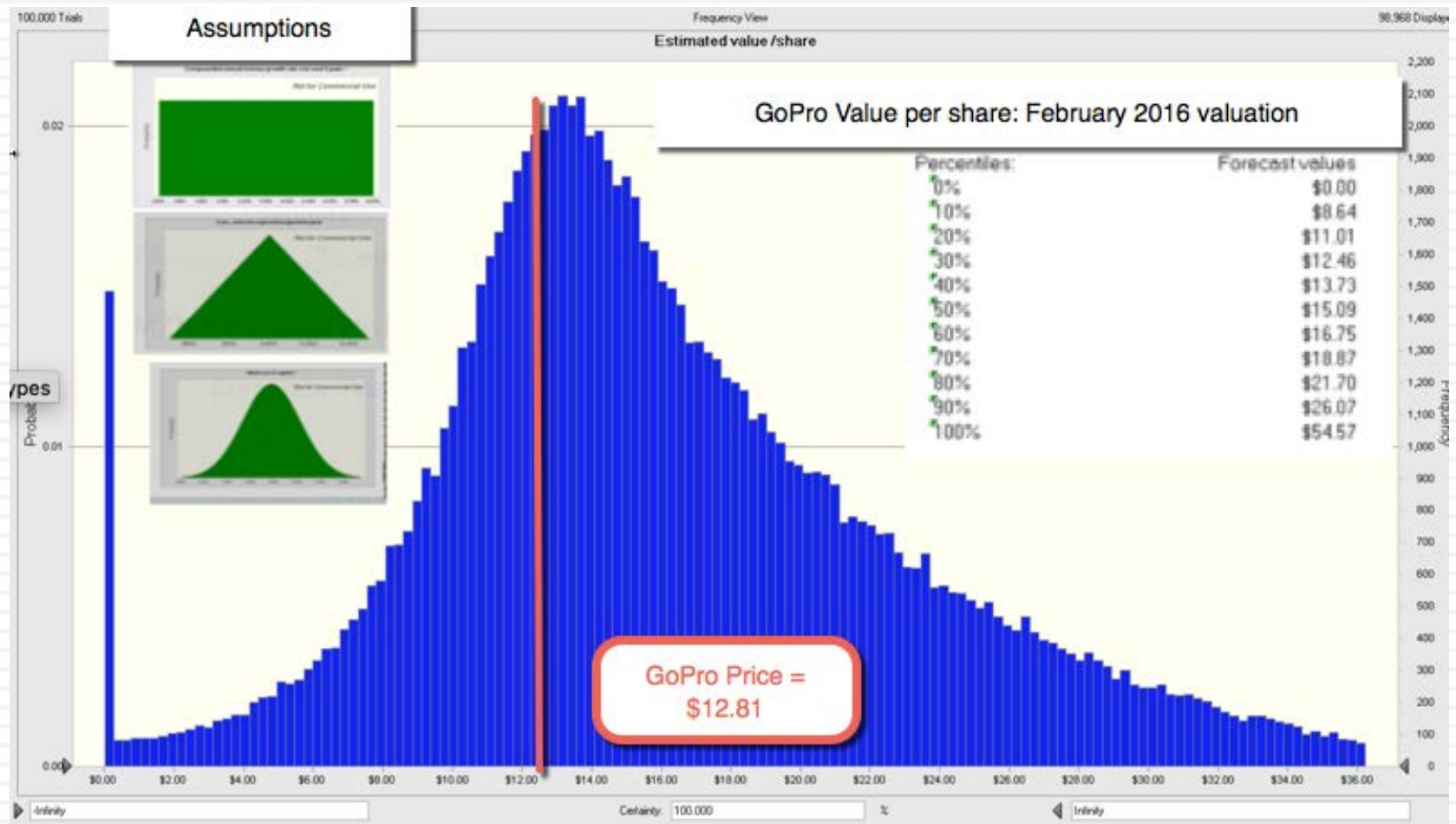
1. Revenues dropped from the same quarter last year, as the company shipped 16% fewer units than it did last year.
2. The company reported a larger loss than expected, accompanied by layoffs and cost cutting.
3. There is no near term improvement expected in revenues.

## Post-report Narrative

GoPro is facing stronger competition and headwinds than expected. The company will grow slower and earn less, as new players enter the market, and its survival will rest on how well its expected new product (Hero 5) does.

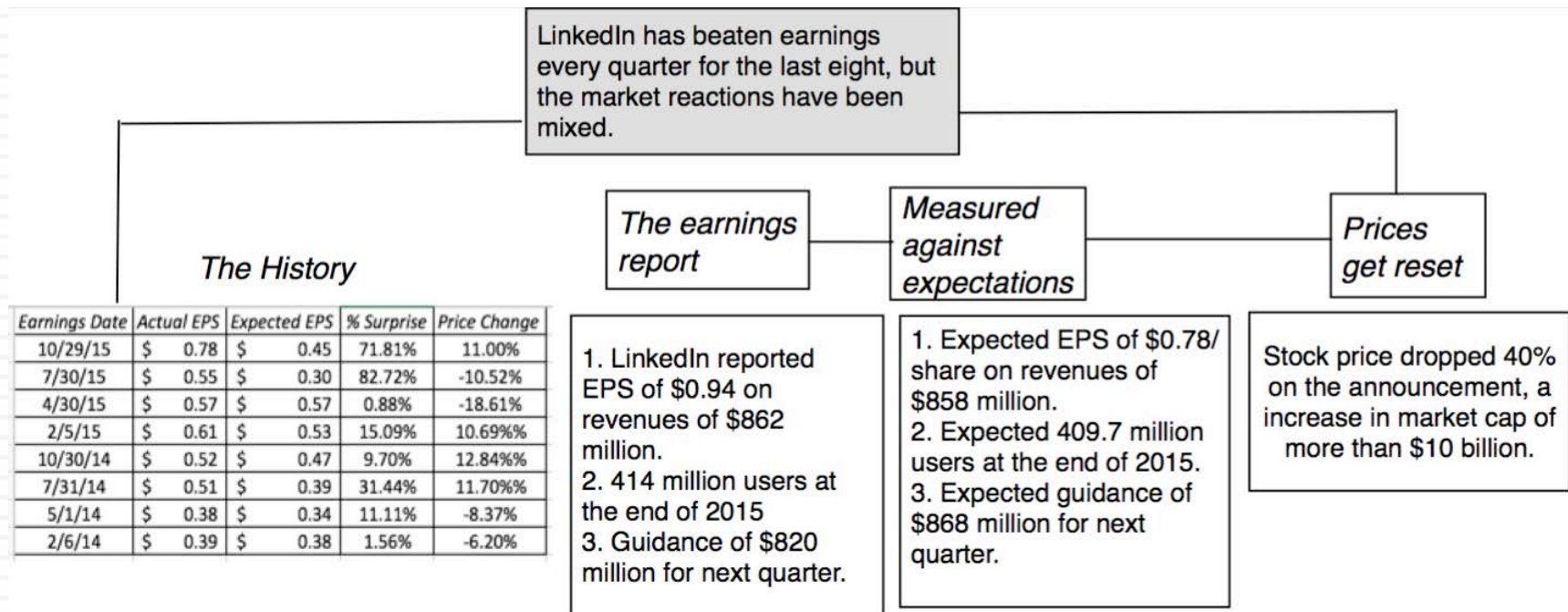
# GoPro: The Post-Earnings Valuation

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# LinkedIn's Earnings Report (2/3/16): The Pricing Effect

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# LinkedIn's Earnings Report (2/3/16): The Story Effect

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## Pre-report Narrative

LinkedIn is a social media company that derives the bulk of its revenues from the manpower/networking business, with its subscription model providing an anchor to revenues. The company will be less profitable and less risky than many in its peer group who depend on advertising.

## LinkedIn's Earnings Report on February 3, 2016

1. Growth continued, with revenues growing at 35% over the prior year and the user base grew as well.
2. The company took a step back on profitability, reporting losses (at least on a GAAP basis) after profits in the prior two years.
3. Much of the lower growth in the next quarter can be attributed to temporary factors.

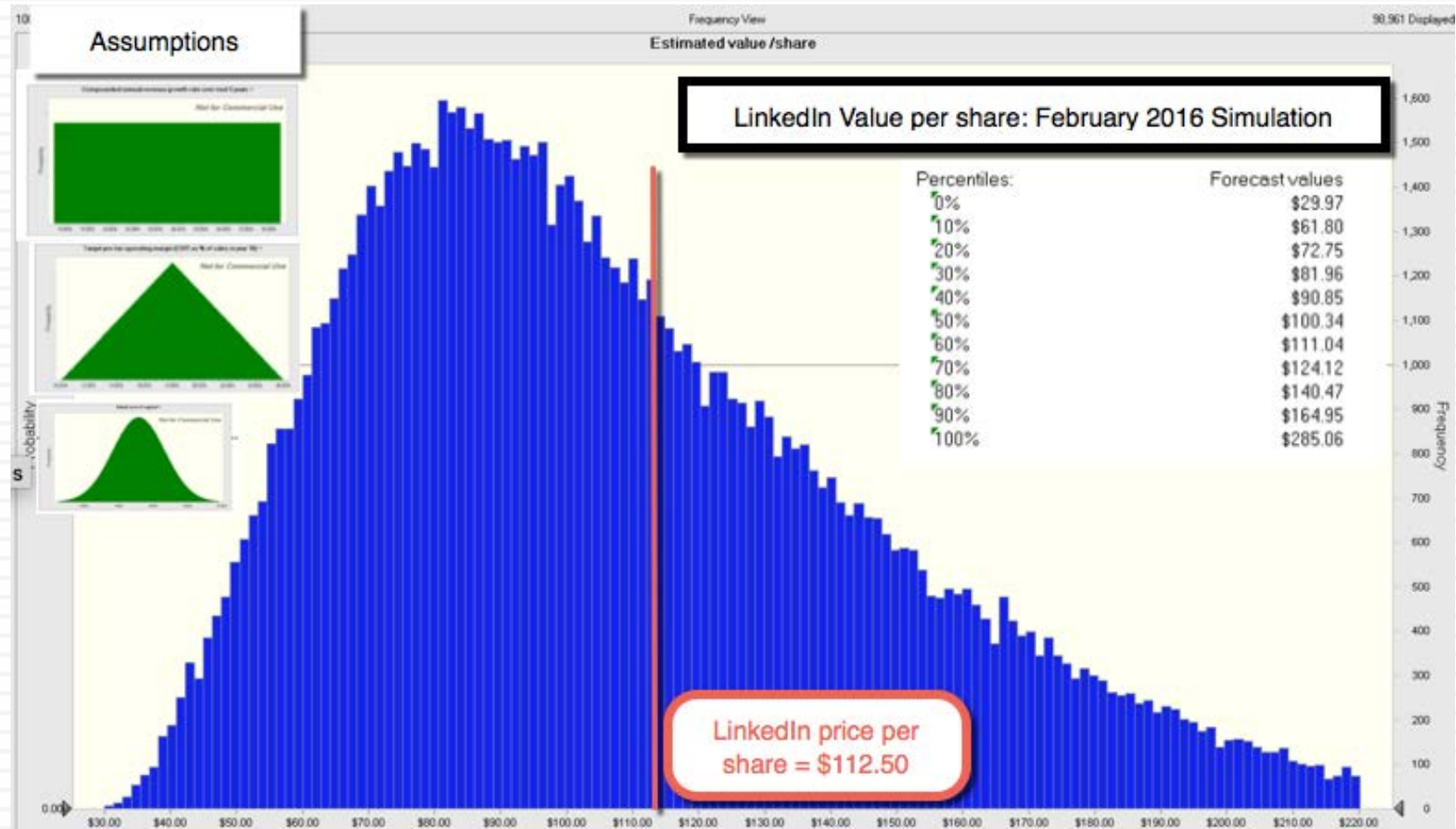
## Post-report Narrative

LinkedIn will continue growing in the manpower space, with lower margins but less competition than its peer social media companies that are dependent on online advertising value.



# LinkedIn: The Post-Earnings Valuation

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# The Acquisition Floor?

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## Without acquisition floor

Statistics:	Forecast values
Trials	100,000
Base Case	\$103.47
Mean	\$107.61
Median	\$100.34
Mode	—
Standard Deviation	\$40.22
Variance	\$1,617.53
Skewness	0.7860
Kurtosis	3.32
Coeff. of Variability	0.3738
Minimum	\$29.97
Maximum	\$285.06
Range Width	\$255.09
Mean Std. Error	\$0.13

Effect on "mean" value  
= \$109.48 - \$107.61  
= \$1.87/share

## With acquisition floor

Statistics:	Forecast values
Trials	100,000
Base Case	\$103.47
Mean	\$109.48
Median	\$100.65
Mode	—
Standard Deviation	\$38.20
Variance	\$1,459.42
Skewness	0.8957
Kurtosis	3.57
Coeff. of Variability	0.3489
Minimum	\$34.80
Maximum	\$288.98
Range Width	\$254.18
Mean Std. Error	\$0.12

# Fighting my priors!

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- Before I valued the companies, I wanted LinkedIn to be my investment choice, because:
  - ▣ Not just in online advertising
  - ▣ Manpower is a big business
  - ▣ Top management more competent and more understated
- My bias did affect my inputs but in spite of the bias, GoPro came out as under valued and LinkedIn is at best fairly valued.