



RELATIVE VALUATION IIIA



Company Name	Country	Share Price 4/11/2014	Diluted Shares	Equity Value	Enterprise Value	Enterprise Value / EBITDA			Enterprise Value / Revenue			Price / Earnings		
						2014E	2015E	2016E	2014E	2015E	2016E	2014E	2015E	2016E
Google Inc	United States	\$530.60	714	\$378,940	\$325,468	12.4x	10.3x	8.7x	6.1x	5.2x	4.5x	19.5x	15.8x	13.5x
Facebook Inc	United States	58.53	2,673	156,454	145,005	19.7x	15.3x	12.3x	12.5x	9.7x	7.8x	44.8x	32.5x	24.4x
Twitter Inc	United States	40.05	708	28,356	26,122	144.0x	67.9x	32.6x	20.9x	14.2x	9.9x	NM	NM	102.8x
Pandora Media Inc	United States	25.31	215	5,437	4,987	80.2x	30.3x	16.2x	5.5x	4.2x	3.3x	126.5x	40.8x	21.4x
Iac/interactivecorp	United States	68.82	88	6,064	5,857	8.7x	8.3x	7.7x	1.8x	1.7x	1.6x	17.0x	14.6x	13.7x
Yelp Inc	United States	61.72	84	5,163	5,041	77.7x	45.0x	29.2x	13.7x	10.0x	7.8x	158.8x	76.4x	46.7x
Aol Inc	United States	41.72	84	3,496	3,411	6.6x	6.1x	5.8x	1.4x	1.2x	1.1x	18.5x	15.8x	13.9x
Zillow Inc	United States	87.05	43	3,781	3,356	82.7x	44.0x	24.1x	11.5x	8.5x	6.7x	NM	171.3x	63.6x
Webmd Health Corp	United States	37.67	46	1,723	1,647	10.2x	8.1x	7.5x	2.8x	2.6x	2.5x	28.0x	23.3x	21.0x
Conversant Inc	United States	24.95	67	1,667	1,726	7.5x	6.9x	6.4x	2.8x	2.6x	2.4x	13.4x	12.2x	12.0x
Trulia Inc	United States	31.86	41	1,308	1,269	64.5x	23.5x	14.0x	5.1x	4.0x	3.3x	NM	122.5x	43.6x
Angie's List Inc	United States	11.78	59	694	653	137.5x	15.4x	8.0x	2.0x	1.6x	1.3x	NM	26.4x	11.3x
Millennial Media Inc	United States	6.27	113	709	609	17.2x	8.7x	6.0x	1.3x	1.0x	0.8x	39.7x	17.8x	11.7x
Move, Inc	United States	10.65	42	449	413	13.7x	11.1x	8.1x	1.6x	1.4x	1.3x	32.8x	21.2x	15.7x
Demand Media Inc	United States	4.40	90	397	340	6.2x	4.9x	3.9x	0.9x	0.9x	0.8x	NM	53.0x	NA
Quinstreet Inc	United States	6.27	43	272	235	7.3x	5.9x	6.1x	0.8x	0.8x	0.8x	18.6x	13.6x	11.9x
						15.5x	10.7x	8.1x	2.8x	2.6x	2.4x	28.0x	23.3x	15.7x

Company Name	Country	EBITDA Margin			Revenue growth Y/Y			EBITDA growth Y/Y			Share performance		
		2014E	2015E	2016E	2014E	2015E	2016E	2014E	2015E	2016E	Prior Week	YTD	52 wk
Google Inc	United States	49.1%	50.6%	51.8%	12.7%	16.8%	14.8%	23.5%	20.3%	17.6%	(2.3%)	N/A	N/A
Facebook Inc	United States	63.4%	63.9%	63.6%	47.1%	28.6%	24.9%	52.3%	29.5%	24.5%	3.1%	7.1%	120.7%
Twitter Inc	United States	14.5%	20.9%	30.5%	87.8%	47.3%	43.0%	140.5%	112.1%	108.5%	(7.2%)	(37.1%)	N/A
Pandora Media Inc	United States	6.8%	13.9%	20.2%	43.2%	30.2%	28.3%	175.3%	165.1%	86.6%	(10.9%)	(4.8%)	92.5%
Iac/interactivecorp	United States	20.7%	20.5%	20.8%	7.7%	6.2%	5.6%	12.6%	5.1%	7.2%	(1.7%)	0.2%	56.0%
Yelp Inc	United States	17.7%	22.2%	26.7%	57.4%	37.2%	28.0%	120.6%	72.5%	53.9%	(6.1%)	(10.5%)	138.9%
Aol Inc	United States	20.4%	20.2%	19.6%	10.0%	8.7%	9.7%	9.8%	8.0%	5.9%	(3.1%)	(10.5%)	8.4%
Zillow Inc	United States	13.9%	19.4%	27.7%	48.0%	34.8%	27.6%	36.4%	88.0%	82.5%	(4.3%)	6.5%	68.4%
Webmd Health Corp	United States	27.9%	32.5%	33.3%	12.9%	7.5%	6.2%	31.9%	25.4%	8.6%	(5.5%)	(4.6%)	64.3%
Conversant Inc	United States	37.2%	37.6%	37.6%	9.1%	8.4%	8.0%	5.2%	9.7%	7.9%	(8.0%)	6.8%	(10.1%)
Trulia Inc	United States	7.9%	17.0%	23.3%	72.6%	28.5%	22.2%	15.1%	174.6%	67.9%	(5.8%)	(9.7%)	(1.5%)
Angie's List Inc	United States	1.5%	10.5%	16.5%	32.5%	24.9%	22.7%	NM	NM	93.4%	(3.5%)	(22.2%)	(40.4%)
Millennial Media Inc	United States	7.7%	11.7%	13.5%	34.4%	30.0%	27.0%	NM	97.1%	46.8%	(4.0%)	(13.8%)	0.5%
Move, Inc	United States	11.8%	12.9%	15.4%	12.5%	13.4%	14.0%	92.3%	23.7%	36.3%	(6.2%)	(33.4%)	(0.8%)
Demand Media Inc	United States	14.8%	17.7%	21.6%	(2.6%)	5.1%	3.2%	(37.5%)	26.0%	25.7%	(6.8%)	(23.7%)	(45.6%)
Quinstreet Inc	United States	11.3%	13.7%	12.5%	(6.4%)	2.0%	5.0%	(28.5%)	24.0%	(3.9%)	2.8%	(27.8%)	(0.9%)
		14.7%	19.8%	22.4%	22.7%	20.8%	18.5%	27.7%	26.0%	31.0%	(4.3%)	(10.5%)	8.4%

Which multiple should you use in relative valuation?

You can do relative valuation using a variety of multiples, ranging from earnings multiples to book value multiples to revenue multiples. Assume that you are trying to do a relative valuation of Zylot, a software company and are trying to decide which multiple to use in your valuation. Which one should you choose?

- a. The multiple that yields the highest R-squared in a regression
- b. I won't pick one. I will take an average across the different values (from different multiples)
- c. The multiple that most other analysts & investors tracing this company use.
- d. The multiple that yields a value that best fits what I am trying to do with the valuation (show that it is cheap, expensive or correctly values)
- e. None of the above

Relative versus Intrinsic valuation

You have just completed an intrinsic valuation of Zylift Inc., a publicly traded software company and arrived at a value of \$10/share and the stock is trading at \$15. You value Zylift, using a PE ratio against other software companies and estimate a value per share of \$20. Based on these numbers, you would conclude that

- a. The stock is under valued (its price < relative value)
- b. The stock is over valued (its price > intrinsic value)
- c. The stock is correctly valued (its price = average of relative & intrinsic value)
- d. The stock is both under and over valued.
- e. None of the above

Explain.

Peer group versus Market relative valuation

Now assume that you value Zyloft using a market regression for PE and arrive at a value per share of \$10 again. (Remember the price is \$15/share and the relative valuation against software companies yielded \$20/share).

Based on these numbers, you would conclude that

- a. The stock is under valued (its price < peer group relative value)
- b. The stock is over valued (its price > market relative value)
- c. The stock is correctly valued (its price = average of peer & market relative values)
- d. The stock is both under and over valued
- e. None of the above

Explain.