



## LinkedIn Surpasses 100 Million Users

LinkedIn has announced that it has finally reached a major milestone: 100 million users and counting.



The company, founded in December 2002 and launched in May 2003, reached profitability fairly soon, and its growth has been accelerating over the past few years. It took LinkedIn six years to reach 50 million users, but it only took a year and a half for the business social network to double that number. LinkedIn hit 85 million members in October 2010 and revealed that it had more than 90 million users when it filed to go public earlier this year. LinkedIn is now adding one new member per second.

To celebrate its new achievement, the LinkedIn team has released an info graphic breaking down its growth and its overall membership. It comes with several interesting tidbits of information on who uses LinkedIn and even when they use it.

Here are some of the most intriguing stats from LinkedIn's info graphic:  
56% of LinkedIn's users are outside of the United States. LinkedIn is experiencing its fastest growth internationally.

- LinkedIn's fastest-growing country is Brazil, with 428% growth year-over-year. Brazil is followed by Mexico, India and France.
- The height of LinkedIn activity happens during the workday, peaking at around noon. Mobile usage, on the other hand, typically peaks around 8:00 p.m.
- There are almost 1 million teachers on LinkedIn; 20% of the site's users work in the service sector, while 9% work in finance and another 9% are in the high-tech industry.

For most of its 7-plus years of existence, LinkedIn has dominated its niche of social business users. The result is a valuation nearing \$3 billion and 5.5 billion monthly page views. While it's no Facebook, we bet most people would love to be in LinkedIn founder Reid Hoffman's shoes right now.



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## Glencore worth up to \$69 billion, underwriters say Glencore is already worth as much as \$69 billion, with its earnings set to double in two years, according to research from two banks underwriting the commodity trader's potentially record-breaking listing.



Glencore's banks are distributing research to potential investors to help convince them to back the previously insular trader as it seeks to raise as much as \$12.1 billion.

Research from Barclays Capital and Credit Suisse -- not distributed to the media but seen by Reuters -- also forecasts rapid growth in key measures of profitability, such as earnings before interest, tax, depreciation and amortization (EBITDA).

Barclays says Glencore's equity is now worth \$52.5 billion to \$69.2 billion, while Credit Suisse values the Swiss firm, led by former coal trader Ivan Glasenberg, at \$53 billion to \$68.6 billion.

Pre-flotation research typically excludes funds raised by selling new shares, in this case up to \$8.8 billion.

If that is the situation here, it would mean the banks think that Glencore could ultimately be worth as much as \$78 billion after a listing -- even more than the top of the \$45-\$73 billion range implied by Glencore's own figures.

The banks declined to comment.

Valuation is a challenge for a complex business that is part trader, part miner, and part investor -- a 34.5-percent stake in Xstrata Plc is Glencore's biggest listed holding.

Glencore is aiming to sell a 15 to 20 percent stake worth \$9 to \$11 billion, including \$2.2 billion of existing shares and the option to sell an extra 10 percent.

Barclays says earnings will hit \$8.86 billion in 2012 -- or more than double last year, when net profit was \$3.8 billion.

Glencore's EBITDA will also far surpass 2007's record \$7.7 billion by 2012, the duo forecast.

In the next two years, Barclays says it will more than double to hit \$12.9 billion, while Credit Suisse predicts it will touch \$11.76 billion. The rise far outstrips analysts' average forecast of a 48-percent rise at Xstrata.

### LIMITED INFLUENCE?

The banks use a range of measures to value Glencore, including "sum of the parts" valuations and price-to-earnings and enterprise value to EBITDA ratios.

On an EV/EBITDA basis, Glencore should fetch a premium to European miners, because of a lower tax base and less volatile earnings thanks to its marketing business, Barclays says.

It says a long-mooted merger with Xstrata would make "a very attractive company" but the financing of such a deal "remains unclear" and would require significant debt or equity funding.

Credit Suisse's estimates earnings before interest and tax will more than treble in two years at the mines and smelters Glencore controls. However it warns the firm "does not have a proven track record in delivering significant, capex intensive project growth."

New investors will control less than a quarter of the company, the Swiss bank notes, and "their ability to influence significant/company transforming transactions may be limited."

The banks are among nine working on the IPO. Credit Suisse is one of the top three, known as joint global co-ordinators, while BarCap is a co-bookrunner.

## IBM Shares Decline On Valuation Concerns

International Business Machines Corp. (IBM) became the biggest decliner on the Dow Jones Industrial Average and highlighted a broad retreat from tech stocks Wednesday, with the company's shares falling as much as 3.5% after an analyst's downgrade.



IBM gave up \$5.15 at \$154 a share in the wake of Sanford Bernstein analyst Toni Sacconaghi cutting his rating on the stock to market perform from outperform. Among the reasons Sacconaghi gave were that Big Blue's stock "appears to be fairly valued" and that it is currently "trading at its highest level in over 15 years."

Even though he cut his rating on IBM, the analyst raised his price target on the stock to \$173 a share from \$170, and said it was still a good holding over the long term.

Sacconaghi added he believes IBM will face challenges to grow its revenue and earnings at its current rates. "IBM's [2015 earnings] road map assumes 5% compounded annual revenue growth, a figure the company has only delivered once in the last 13 years, and which we believe is aggressive," he said.

Sacconaghi indicated that a 3% annual growth rate is more consistent with IBM's history, and that such a rate would reduce the company's earnings by \$2 to \$3 a share during its current "road map" period.

IBM has been one of the standout tech stocks over the last year, as its shares rose more than 21% between January 2010 and Monday this week. However, concerns about IBM's business in Japan following the country's recent disasters has shaved nearly 5% off the price over the last two market sessions.

The recent selloff of IBM's stock continues just two days after the company launched a new initiative called "Smarter Commerce," which IBM says is focused on helping its customers use software and services to improve marketing efforts. Some of the features include analytic tools so that clients can better market their products over social-networking sites such as Facebook and Twitter, according to IBM.

Craig Hayman, a general manager with IBM's software-solutions business, said the "Smarter Commerce" efforts are aimed at a business opportunity that will be worth \$70 billion, and are a culmination of IBM's integrating its acquisitions of Unica, Sterling and Coremetrics into its analytical-business operations. Hayman added the company thinks it can turn marketing into something the consumer will start to appreciate instead of dread.

"We've all received the annoying phone call or email spam," Hayman commented. "We believe that marketing, if done right, is a service and can be shifted away from being an intrusion."

[www.wsj.com](http://www.wsj.com)

## MTN rated top brand in Africa



MTN has been rated Africa's most valuable brand at \$4.7-billion.

This is almost double the value of Vodacom, Orascom Telecom (Egypt), FNB and Standard Bank, its nearest competitors on the continent.

This valuation is contained in Brandirectory, an online encyclopedia of brands containing financial results, trademark histories and marketing news.

Vodacom is valued at \$2.37-billion and First National Bank at \$1.4-billion.

Serame Taukobong, chief marketing officer at MTN, said

the brand enjoyed "iconic" status in SA and 20 other countries.

MTN was a sponsor of the FIFA 2010 World Cup and is now behind the Lions rugby team.

Jeremy Sampson, executive chairman of Inter brand Sampson, said there was "indeed a good chance" that MTN was Africa's most valuable brand.

The cell phone operator's market capitalization has grown exponentially over the past 15 years as it expanded around the world.

Source: [bankmonitorsa.blogspot.com](http://bankmonitorsa.blogspot.com)

## Business Valuation 101: The Five Myths of Valuing a Private Business



As you work tirelessly to meet the everyday challenges of running your own business, you may wonder why you should be interested in a column on valuing your business. After all, valuation is something you will be concerned about some time in the future when there is "need" for a valuation. If you feel like this and you stop reading, you will be missing an opportunity to insure that your business will survive and prosper.

Understanding the factors that determine the value of any business will pay tangible dividends by focusing you on ways to increase your firm's short and long-run profitability. Moreover, if you choose to sell your business at some point in the future, this knowledge will assist you in positioning your company to receive the highest price. Therefore, there is no time like the present to begin to understand what a business valuation is, under what circumstances a valuation is customarily completed, and the critical issues to watch out for when events dictate that you undertake a business valuation.

### What is a Business Valuation?

We first turn to the central issue—What is a business valuation? To answer this question, consider the following example. You own IBM stock and you want to know how much it is worth. Well, all you have to do is pick up the business section of the daily newspaper or go to any financial website, locate the stock tables and multiply IBM's closing price by the number of shares you own. Through this simple exercise, you have valued your IBM shares or what you would receive in cash if you sold your shares at the closing price.

In concept, valuing your private business is the same as valuing IBM stock. But, because your firm is private, there is no stock table that you can conveniently turn to. No need to

worry, however, because there is a pseudo-science, or some say an art form, that provides the foundation for skilled business appraisers to estimate what your business is worth. The problem is that the valuation process is often viewed as a "black box." As a result, a whole mythology has grown up around valuation of private businesses. To help de-mystify the valuation process, let me introduce you to my top five myths about valuing a private business and explain how to avoid the pitfalls these myths present.

### Top 5 Business Valuation Myths

**Myth I: Valuing a private business should only be done when the business is ready to be sold or a lender requires a valuation as part of its due diligence process.**

Although the business sales and lending processes generally require that valuations be completed, if these events represent the first time an owner has a valuation completed, then you can be sure critical business and estate planning issues have not been addressed. If the business is to have a life beyond that of its current owners, then effective planning for ownership transition requires a regular valuation of the business.

Ownership transition may include gifting some percentage of ownership shares to family members during the owner's life, thus reducing any tax on the owner's estate at death. If a firm has several owners, a buy-sell agreement with accompanying life insurance should be in place so that if an owner dies, the remaining owners have sufficient funds to purchase the deceased owner's interest at an agreed upon value. The buy-out value under these agreements should be updated regularly to reflect the firm's financial progress over time and the valuation approach used should be one of several acceptable to the IRS.

**Myth II: Businesses in my industry always sell for two times annual revenue (the revenue multiple). So why should I pay someone to value my business?**

The short answer is that data on selling prices indicate that revenue multiples within an industry are generally all over the lot. These rules of thumb used by business brokers, the individuals who often facilitate private business transactions, are median multiple values. The median value indicates that half of the revenue multiples are below the median value and half are above. Thus, the median value is just a convenient midpoint and does not represent the revenue multiple for any actual transaction. Unless the firm that is being valued is truly a median firm, then using the industry rule of thumb for this purpose is clearly wrong.

For example, according to a well-known source for business transaction data, Pratt's Stats, recent revenue multiples for firms in the auto parts industry ranged from a low of .98 to a high of 8.3 with a median of 2.9. If you were valuing your firm

for sale and your annual revenue were \$100,000, then the value of your business could be as low as \$98,000, as high as \$830,000, or somewhere in between. Where your firm lies along this continuum is obviously of the utmost importance and can only be determined by a valuation approach that incorporates academically validated methods with industry-specific valuation factors. Myth IV below discusses the legal and tax implications of assigning a value to your firm that is outside a permissible range.

**Myth III: A local competitor sold his business for three times revenue six months ago. My business is worth at least this much!**

Maybe yes and maybe no. What happened six months ago is not really relevant to what something is worth today. What your business is worth today depends on three factors: 1) how much cash it generates today; 2) expected growth in cash in the foreseeable future; and 3) the return buyers require on their investment in your business. First of all, unless your firm's cash flows and growth prospects are very similar to the competitor firm, that firm's revenue multiple is irrelevant to valuing your firm. Moreover, without getting into the nuances of finance, even if the competitor firm was equivalent to yours in every respect and both firms were sold today, if interest rates were higher today than 6 months ago, the firms would likely sell for less than three times revenue. Conversely, if rates were lower today than six months ago, the firms may be worth more than three times revenue. In short, the value of your business, like the value of IBM stock, is likely different today than six months ago because economic conditions have changed.

**Myth IV: How much a business is worth depends on what the valuation is used for!**

The value of a business is its fair market value (FMV). According to the Internal Revenue Service, the FMV is what a willing buyer will pay a willing seller when each is fully informed and under no pressure to act. While there may be a FMV range, the wider the assigned valuation range is, the less reliable is the valuation and the more likely it becomes that the valuation will face greater scrutiny from potential buyers or the IRS.

Consider the example of a parent selling a business to a child. The incentives to assign a low valuation under these circumstances are significant. Given that the parent pays taxes on the difference between the value of the stock sold to the child and its value on the firm's books (book value equity), establishing a low value on the firm's stock results in the parent minimizing the capital gains tax owed to the IRS. The child, on the other hand, has to come up with less money, because the sales price of the business is much lower

than its FMV. These types of transactions are common and the IRS is always looking for abuses. Alternatively, an owner of a business may make a charitable contribution of company stock. In this case, there is a significant incentive to place the highest possible value on the donated shares, because this will result in the largest charitable tax deduction. If the value of the donated shares is outside the FMV range, an IRS audit may well be in the donor's future.

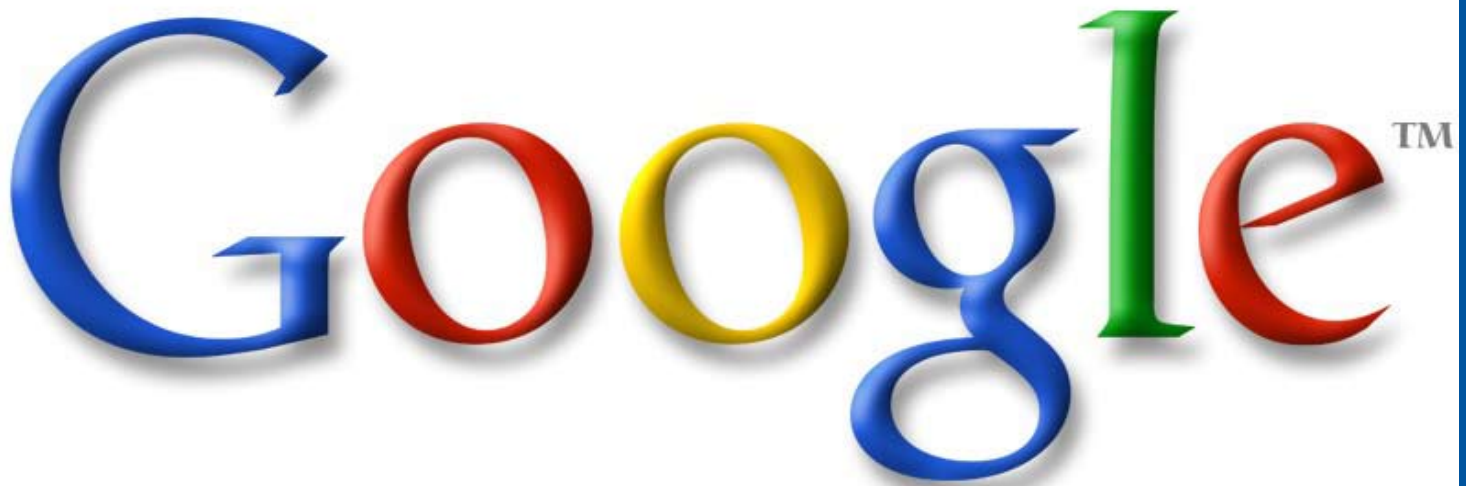
**Myth V: Your business loses money, so it is not worth much.**

Most private businesses appear to lose money. Appearances, however, are often misleading. Not long ago, a friend of mine was considering buying an auto parts business in California. The asking price was approximately \$950,000 and, according to the firm's tax return, it hardly made a profit. Like many businesses of this type, this business was generating a great deal of cash, but this cash was masquerading as legitimate expenses. One expense category really stood out—payments to officers. This payment included the owner's wage of \$80,000 per year and a bonus of \$150,000 that the owner paid himself at the end of year. The \$80,000 wage is what the business would have to pay a stranger to do the same job as the owner. This was a real expense. The \$150,000, on the other hand, represents what finance people call a return to capital. It is the cash the business generated and it is this cash that determines the value of the business.

In the final analysis, there are many important reasons that business owners should know the value of their businesses long before they decided to sell. By understanding the basics outlined above, you should be able to successfully plan the financial future of you and your family by understanding the value of your most important asset—your business.

Unlike public companies, the separation between ownership and management does not really exist in a private firm. Thus owners have some discretion over how they categorize cash flow generated by the business. Quantifying the size of these discretionary expenses is often a critical determinant of the firm's value. As such, owners should keep a tab on what these discretionary expenses may be so that, when they are ready to sell the business, they can document these facts to the buyer. By doing so, the seller increases the buyer's confidence that the business does legitimately generate the cash the seller claims and, accordingly, increases the buyer's willingness to pay the asking price for the business.

## Google's Page presages bolder era; some uneasy



Google Inc's (GOOG.O) Larry Page is back in charge of the company he founded a decade ago and, while some investors are uneasy about his credentials, they hope he will breathe new life into the Internet search giant.

Page takes over on Monday after a decade of "adult supervision" for Google under Eric Schmidt, as the outgoing CEO called it. The switch comes as mobile gadgets redefine the way people use the Internet and Google's main ad business is under threat from rapidly growing upstarts such as Facebook and Groupon.

Page, who as a graduate student paired up with Sergey Brin to create the algorithm that launched Google's search engine to Web stardom, has yet to make his battle plan public. But industry insiders and analysts expect he will try to shore up Google's strength in search and mobile, while breaking into a hot social networking market that has eluded his company.

In the three months since the announcement that Schmidt would step down to become executive chairman, Page has wasted little time taking greater control of the company and hacking away at some of the bureaucracy, according to a Google executive who requested anonymity because he was not authorized to speak about internal matters.

Page's first official day on the job was also marked by the resignation of Google's Senior Vice President of Product Management, Jonathan Rosenberg.

A Google spokesperson told Reuters Rosenberg had planned to leave the company in the next year or two as his children reached college age, but decided it was appropriate to do so now since he could not commit to being part of the team for any significant amount of time going forward. Rosenberg plans on writing a book and is not joining another company, the spokesperson said.

To some industry observers, the jury is still out as to whether Page can win back investors and shareholders to re-energize the company's stock and stem an exodus of talent to smaller start-ups dangling pre-IPO stock options. Google shares have slid more than 6 percent since his CEO appointment was announced in January.

Page and Brin were the top managers under Schmidt.

Ironfire Capital Managing Partner Eric Jackson says Page, whose reported disdain for marketing and public relations was detailed in the Ken Auletta book "Googled," could make investors uneasy.

"The first couple of big public events he does, whether it's an earnings call or an investment banker conference,

there is going to be a huge immediate interest in how he performs and I think he's bound to disappoint," said Jackson, who does not have a position in Google.

Like Yahoo Inc (YHOO.O) founder Jerry Yang's, whose tenure there as CEO in 2007 and 2008 drew an extraordinary investor backlash, Page may not be comfortable as the face of Google, Jackson said.

"He probably underestimates the importance of that public role aspect and being a liaison with the public and shareholders," Jackson added.

BGC Partners analyst Colin Gillis wrote in a note to investors on Monday that one of the key questions of the Page era is whether meeting analysts' earnings expectations will become less of a priority.

"The company may be moving back to a mindset where investments take priority over profits," wrote Gillis.

Google and Page declined to comment for this article.

#### PAGE'S STAMP

According to those who know Google's 38-year-old co-founder, the era of Page is not likely to be measured in half-steps.

"I always say to my team, you can never outflank Larry," Dave Girouard, head of Google's enterprise business, told Reuters shortly after the announcement of the CEO change.

"As much as you think you're going to go in and blow him away with something cool, he's going to say: 'Well, why are you just doing it for three-quarters of the world?'"

In recent months, Page's stamp has already become clear within the company.

Among the first items he has reworked are the way internal meetings are run and decisions are made, said the Google source.

"It's part of the larger thesis of let's make this plan run faster, move more quickly and take bigger bets."

The executive now expects Page to take a hard look at the many projects underway at Google, placing bigger bets on those that seem to show promise and pulling the plug on others.

With more than 24,000 employees, Google has used its vast resources to expand into various markets beyond Web search, including telephone and television products, online productivity software and even electronic books.

Google's Android software has become the No. 1 smartphone operating system after barely three years on the market, but many other projects remain works in progress.

Some, like the infamous self-driving car and a plan to join a \$5 billion offshore wind grid venture, have drawn fire as extravagant excesses or pipe dreams. [ID:nN12164531]

But the company's dominance in search is inviting heightened regulatory scrutiny, which is one reason Google shares underperformed in 2010. Investors also fretted about increased competition from social networking sites and the company's decision to partially pull out of China.

While Page is widely respected for his technology prowess and vision, it remains to be seen how he will adapt to the day-to-day duties of running a giant, advertising-supported business.

"His focus tends to be on the end-user experience," said Paul Buchheit, a former Google engineer who created Gmail and is now a partner at early-stage venture capital firm Y Combinator.

Buchheit praised Page's penchant for betting on big ideas that can yield hit products, but said some parts of the business might get less attention from the new CEO.

Source: reuters.com

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