

NOVEMBER 24, 2009, 7:43 PM ET

Numbers Games: Putting A Price On Twitter, Facebook and LinkedIn

What's [Twitter](#) Inc. worth?

Venture investors valued the social networking start-up at \$1.13 billion in its most recent financing round in September. Some holders of common stock think it's worth even more – \$1.3 billion. But [NYPPEX](#) LLC, a Greenwich, Conn.-based firm that advises buyers and sellers of private company shares on the secondary market, pegs Twitter's worth at \$474 million based on its paltry revenue. And institutional buyers want a big discount, valuing the company at \$135 million.

NYPPEX, which includes these valuations in a report it is releasing to clients Wednesday, also believes [Facebook](#) Inc. common stock is overpriced, but not by as much as Twitter's, while [LinkedIn](#) Corp. is somewhat undervalued. "Caveat emptor" clearly should be the motto of anyone venturing into this market. "We believe higher industry standards may be needed for research disclosures and price transparency to protect investors," NYPPEX says.

Although the federal government imposes limits on who can buy and sell private company stock, there is growing interest in this market as venture firms, founders and employees seek liquidity short of an initial public offering. NYPPEX's calculations suggest that secondary sellers are overpricing Facebook and Twitter shares, and also raise more doubts about some of the prices paid by venture investors.

Recent odd-lot secondary offers, which are often from employees looking to unload shares, pegged common shares in Twitter at a 173% premium to fair value, NYPPEX says. The firm figured Twitter's value at \$474 million based on estimated 2012 revenue of \$105 million, while projecting its revenue for this year at \$1.3 million. This puts the common share price at \$7.32, well below the \$20 that the secondary sellers offered. Investors in the company's Series E round paid \$15.98 per share, but this was for preferred stock, carrying a one-times liquidation preference, which means those shareholders get to recoup their investment before anyone else if the company is sold. Still, the implied valuation of \$1.13 billion seems a bit much.

Turning to Facebook, NYPPEX calculated a fair market value of \$5.5 billion but said recent odd-lot secondary offers valued the company at \$7.6 billion. The May Series E round valued the company at \$10 billion, but again, investors got preferred stock with a 1x liquidation preference. That's still a hefty premium to NYPPEX's fair value figure, which was based on 2010 estimated revenue of \$710 million.

LinkedIn, on the other hand, will have an estimated \$205 million in revenue in 2010 yielding a fair-market value of \$1.5 billion. Recent odd-lot secondary offers valued the company at less than that – \$1.25 billion – so common stock prices could come up a bit, NYPPEX said. LinkedIn's investors seem more down-to-earth with the June 2008 Series D round yielding an implied valuation of \$1.27 billion.