

*martinwolf* analysis published by CNET

## Facebook: A Reminder that Future Value to a Buyer is What Counts

Our analysis of Facebook stock and IT value as of August 1, 2012, was published yesterday by [CNET](#).

While our analysis revealed that it could take eight years for Facebook stock to return to its IPO price of \$38, it reminded us of the importance of really understanding the market before you buy or sell a company.

Facebook, in essence, created a hot market for itself at its IPO - then the reality of market fundamentals came into play. Today, the stock is hovering in the [low 20s](#).

To fully understand its current market value, we compared it to other tech leaders, and found that it is trading at four times its value.

Facebook can still create the right strategy and revenue streams to come back -- but it is trading in the public markets that live quarter-to-quarter. There is no patience. It may still achieve a future value that eclipses its market cap on the day it went public -- but that may be years from now.

The Facebook logo, consisting of the word "facebook" in white lowercase letters on a blue rectangular background.

The M&A market is usually more patient. But the value of an asset is still related directly to the **future value** to the buyer.

It is why we exhaust the possibilities in making a deal for our clients. It is more about the best match than about the best price. We ask, "Which enterprise can do the most with the company for sale -- a year from now, five years from now, and a decade from now?"

The reason is that in buying and selling companies, you look for a win-win-win. A win for the buyer, the seller and the employees.

When we read about companies that are sold for high multiples - like when [Oracle bought Taleo](#) for \$1.9 billion at 5.8 times revenue, or when [SAP acquired SuccessFactors](#) for \$3.37 billion at 10.7 times revenue - many people from the outside often think they paid a lot. Maybe, maybe not. We will see.

Our guess is probably not. Why? These deals are based on 1+1=3. That is, each of these companies was purchased by much larger entities that can create a better future than Taleo and SuccessFactors may have had on their own. Each company can now be part of a larger sales organization and infrastructure to catapult them to the next level.

Facebook did not have such a luxury. They made a market...but to grow they must create the next market.

It reminds us that when we make a deal, we never want it to get the last dollar - we want it to take a first leap to the beginning of 1+1=3.

15  
YEARS

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The ladder of success is best climbed by stepping on the rungs of opportunity.

- Ayn Rand

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Here's to the future...value.

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## About *[martinwolf](#)*



*San Francisco, CA*



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With offices in San Francisco and Bangalore, India, ***[martinwolf](#)*** is a leading middle market M&A Advisory focused on companies with services-based business models. Since 1997, our team has completed more than 115 transactions in six countries. We are a five-year member of the Merrill Lynch PS Referral Network, and were selected as ICICI Bank's (India's leading private bank) exclusive strategic partner for acquiring U.S. IT companies. ***[martinwolf](#)*** is a member of [FINRA](#) and [SIPC](#). For more information, visit [www.martinwolf.com](http://www.martinwolf.com).

### **June 15, 2012**

glendonTodd Capital LLC announced that it acquired [Aztec Systems](#), a leading provider of enterprise technology solutions to hundreds of U.S. middle-market companies. Aztec was represented by ***[martinwolf](#)*** in this transaction. Aztec, a member of Microsoft's Presidents Club, was recently ranked 27th in revenue on Bob Scott's 2012 Top 100 VARS list and serves more than 700 middle-market clients. Terms of the transaction were not disclosed. Please [click here](#) to view the announcement.

### **December 1, 2011**

Softchoice Corporation (TSX: SO) announced it has fulfilled its regulatory requirements under the Competition Act and has now completed the acquisition of substantially all of the assets of UNIS LUMIN, one of Canada's most highly regarded Cisco networking and managed services companies. [Softchoice](#) was represented by ***[martinwolf](#)***. The acquisition strengthens Softchoice's professional services capabilities while providing the technology foundation to support the Company's future cloud offerings. Please [click here](#) to view the announcement.

### **September 30, 2011**

SPS, a leading Unified Communications Provider, announced that [Court Square Partners](#) has made an investment in the company. ***[martinwolf](#)*** advised [SPS](#) in this transaction. SPS is a premier unified communication services integrator, ranked 131 on the 2011 VAR 500 list with 2010 sales of \$143 million. Court Square is a \$4B+ New York-based PE Group, with more than 150 lifetime investments. Please [click here](#) to view the announcement.

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