HISTORICAL VALUATION BASES AND DRIVERS OF LARGE INTERNET ENABLED COMPANIES

Adelin Trușculescu
Politehnica University of Timisoara, Romania
adelin.trusculescu@student.upt.ro

Anca Draghici
Politehnica University of Timisoara, Romania
anca.draghici@upt.ro

Daniel Paschek
Politehnica University of Timisoara, Romania
daniel.paschek@student.upt.ro

Claudiu Tiberiu Albulescu
Politehnica University of Timisoara, Romania
claudiu.albulescu@upt.ro

Abstract:
Generally, as industries advance through the development phases, the factors on which their valuations are based, also change. During the idea and development phase, the technological business potential represents the main factor while during the growth and mature phases revenues, relative size and ultimately profitability become the main drivers. The study analyses the development of the valuation bases and drivers expressed as enterprise value multiples and growth and profitability margins respectively over a period of 10 years for large internet enabled companies. The companies included come from all sub-sector of the internet economy and have an enterprise value of over EUR 10billion. The reason for ignoring sector segmentation and focusing only on large companies is to test if "winner-takes-it-all" economies are subject to different trends compared to internet enabled companies in general. Other studies focused on sub-segments such as online retail demonstrated that the bases of valuation in that sub-segment changed from being revenue based to being profitability based in the last 3 years, while the drivers changed from being growth based to being profitability based in the last year. This study shows that when looking at large internet enabled companies the switch from revenue to profitability bases happened as long as 8 years ago, while the change from growth to profitability drivers took place about 6 years ago. The finding is particularly interesting for researchers in the field as it demonstrates that large players face different investor expectations compared to expectations on the overall industry players.

Keywords: internet valuation, valuation bases, valuation drivers, revenue vs. EBITDA valuation, valuation large internet players