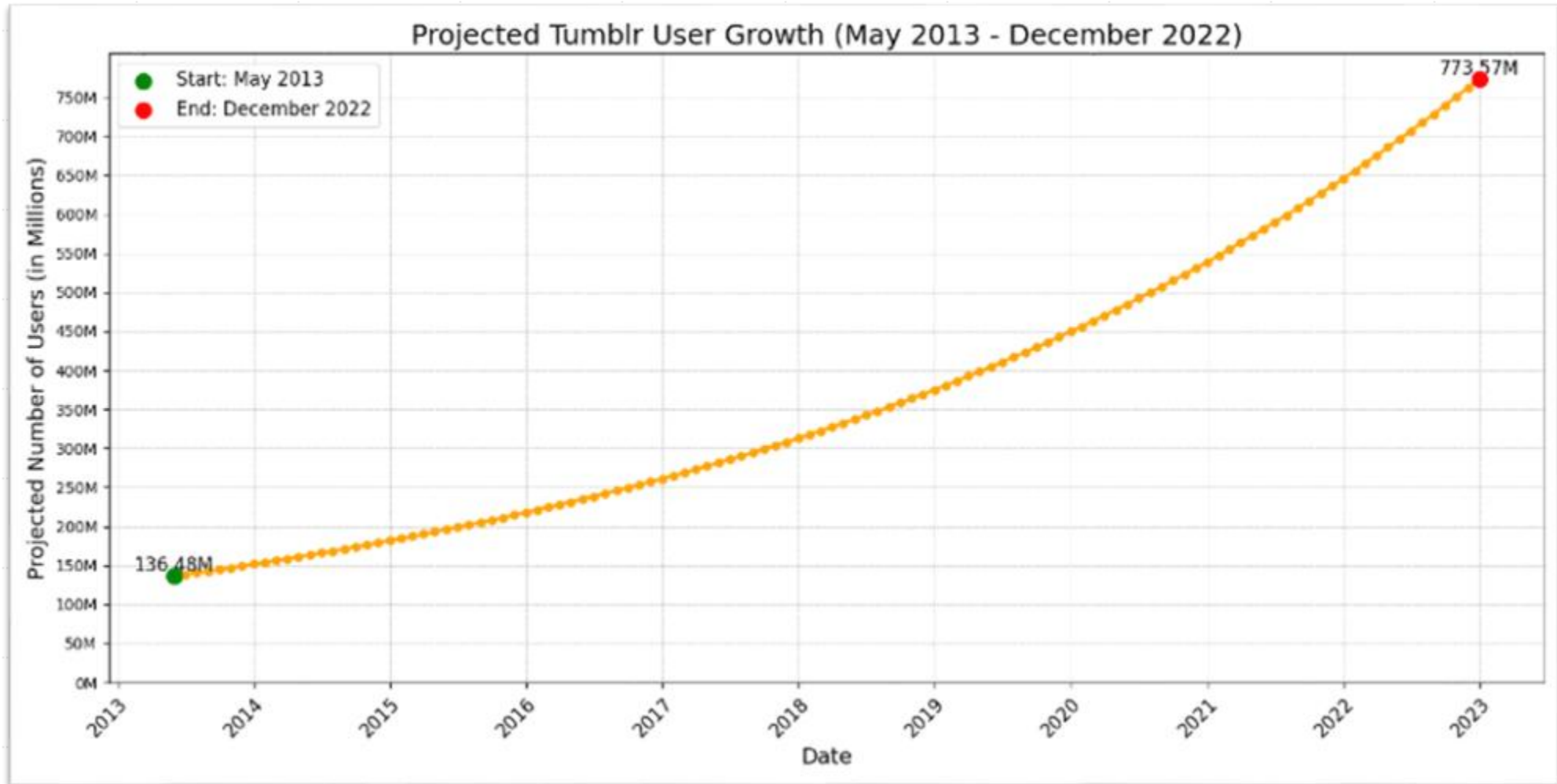




Group 9

Yahoo's
Acquisition
of Tumblr

Avg Monthly Growth, 10 year forecast and its implication on Tumblr's valuation



IMPLICATIONS:

- Increased revenue potential
- Enhanced market position
- Monetization challenges

Issues observed in estimating visitors and valuation methods

Methodology issues for estimating visitors:

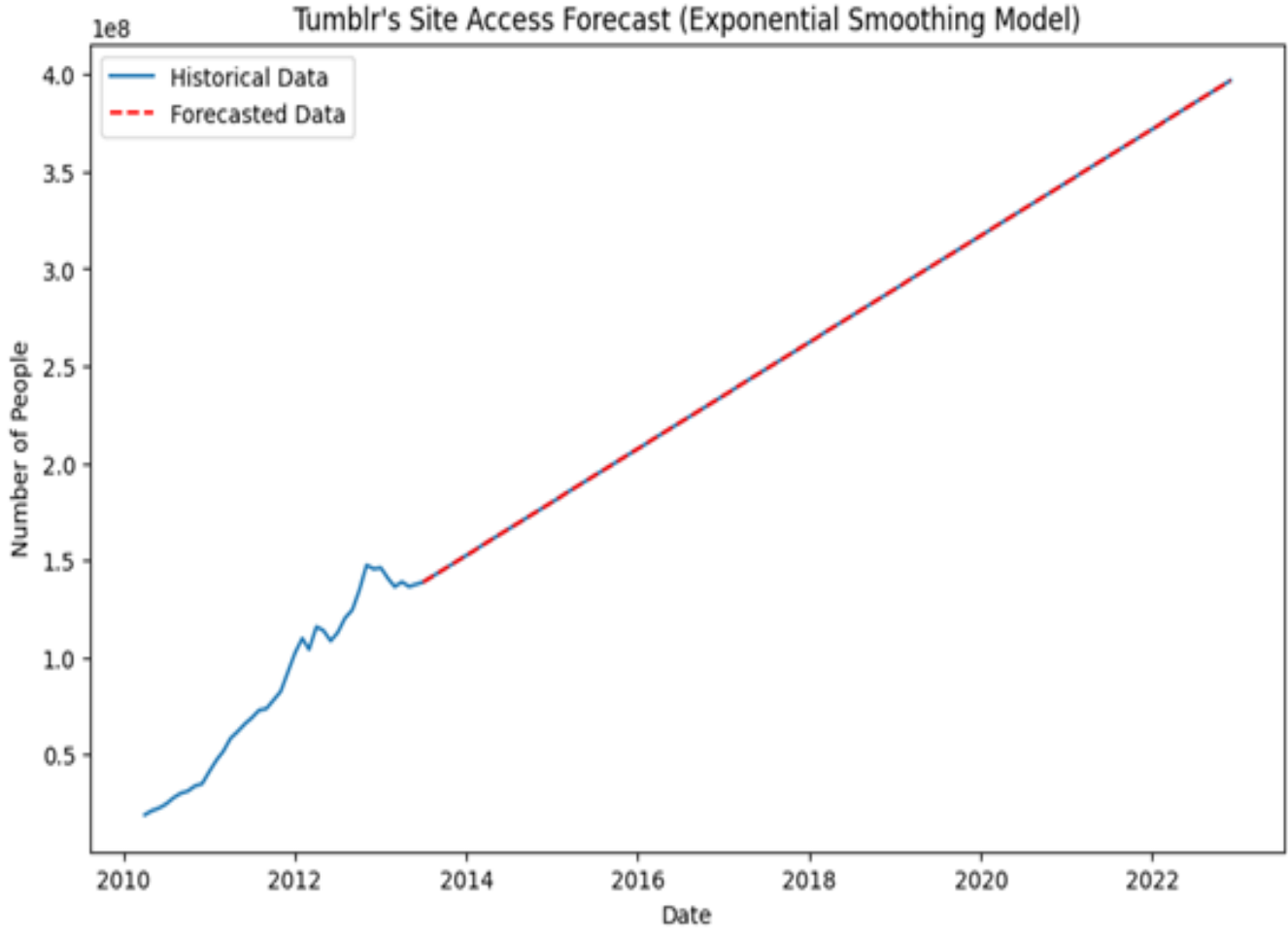
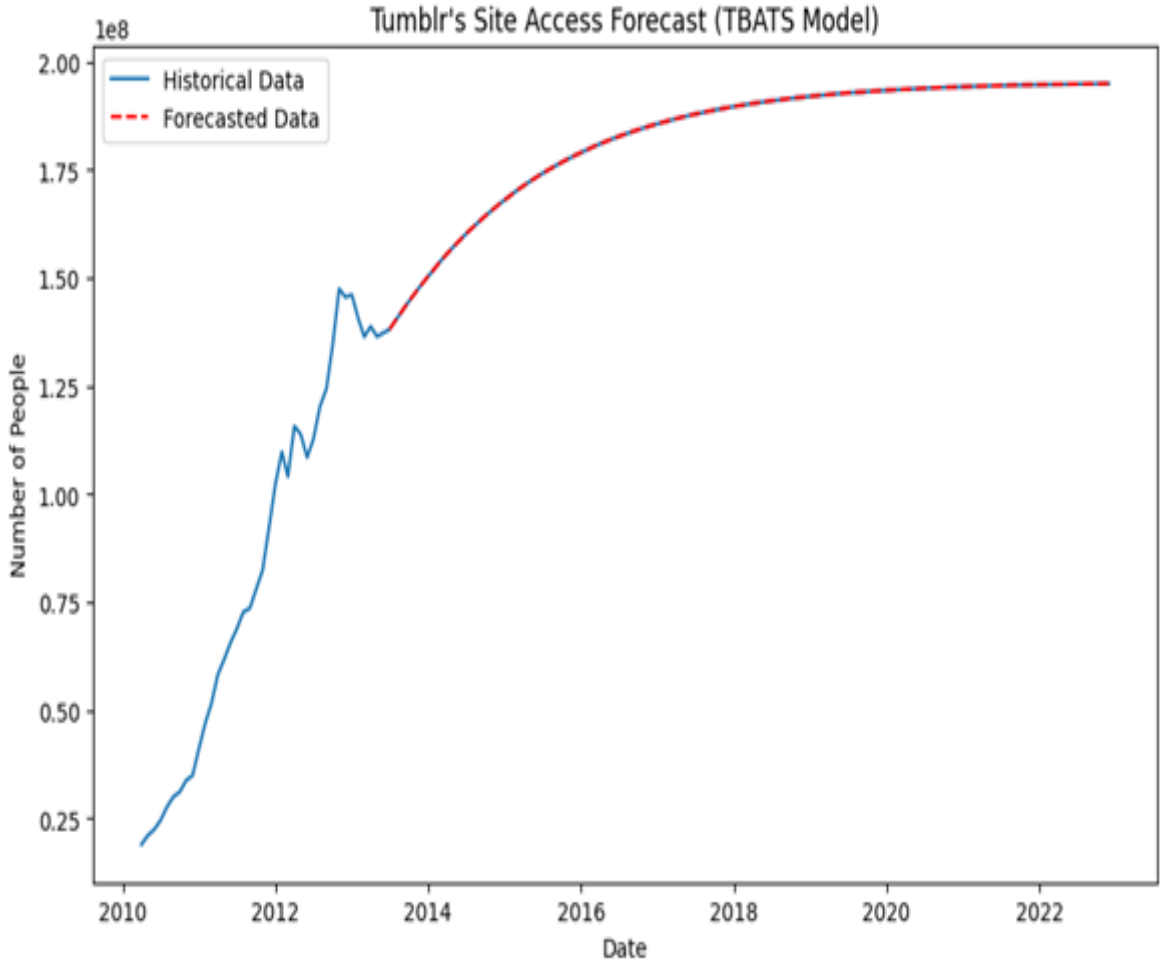
- Misleading Unique Visitors Count
- Lack of Transparency in Active User
- Estimation of Monthly Active Users (MAU)

Valuation procedure issues:

- Revenue Per User (ARPU) Concerns
- Use of Comparable Metrics from Facebook
- Assumptions in the Valuation Model

Comparing different models to forecast People accessing Tumblr and Forecast's effects on it's valuation

MODEL	RMSE	MAE
Exponential Smoothing	280990820	271288705
TBATS	184913934	184449700





Sceptical Estimates

- Monthly Growth Rate in People Worldwide
- Decline in People U.S.
- People-to-User Equivalency
- Increase in Revenue per User Equivalent (Rev/UE)
- Cash Margin Percent
- Engagement Multiplier
- Discount Rate and Perpetuity Growth Rate



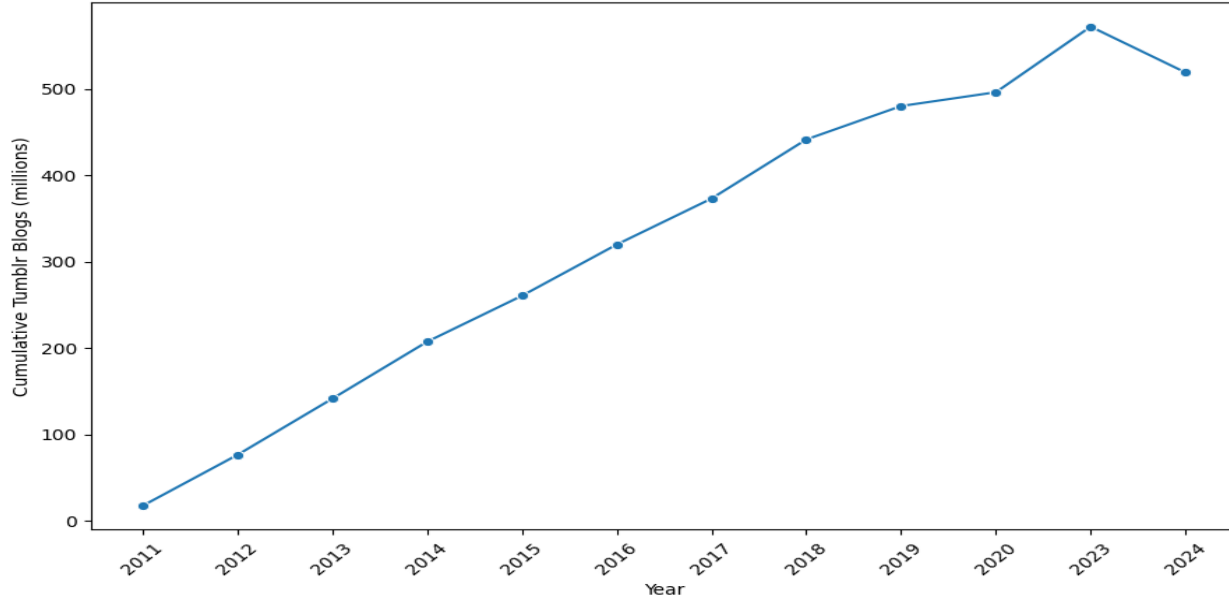
Metrics Scraped using API's and Selenium

- User Growth Rate
- Traffic Trends
- Demographic Information
- Cumulative Blogs
- Market Share

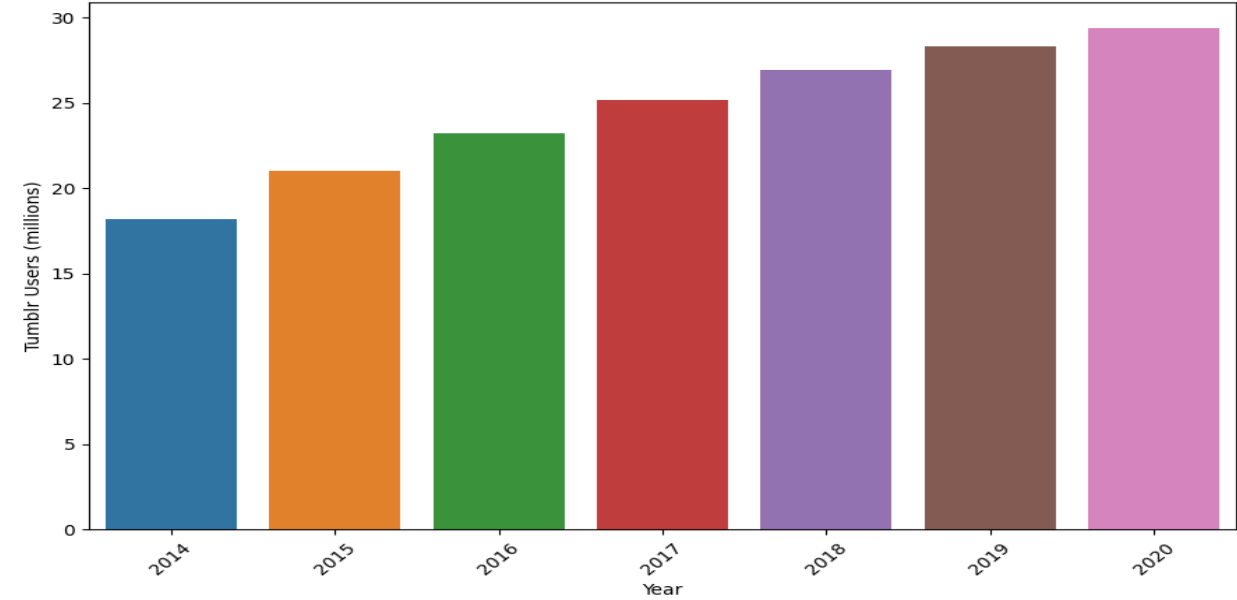
Lexicon Table			
Dataset	Feature Name	Description	Units
'Number of Bloggers'	Year	The year when the data was recorded	YYYY
	Cumulative Tumblr Blogs	The total number of blogs on Tumblr up to that year	Count (Million)
'Demographic Information'	Category	The demographic category or year	Text or YYYY
	Percentage	The percentage of Tumblr users within the category	Percentage (%)
'Tumblr Users Growth from 2014 to 2020'	Year	The year when the growth percentage was recorded	YYYY
	Growth Percentage	The year-over-year percentage growth in the number of users	Percentage (%)
Tumblr Traffic from 2018 to 2023'	Year	The year when the traffic data was recorded	YYYY
	Visitors (in millions)	The estimated number of visitors to Tumblr's site	Count (Million)
Social networks and their MAUs 2013	Platform	Name of the social media platform	Text
	Monthly Active Users (MAUS)	The number ofactive users accessing the platform per month	Count (Millions)

Key features and effects of dataset on valuation

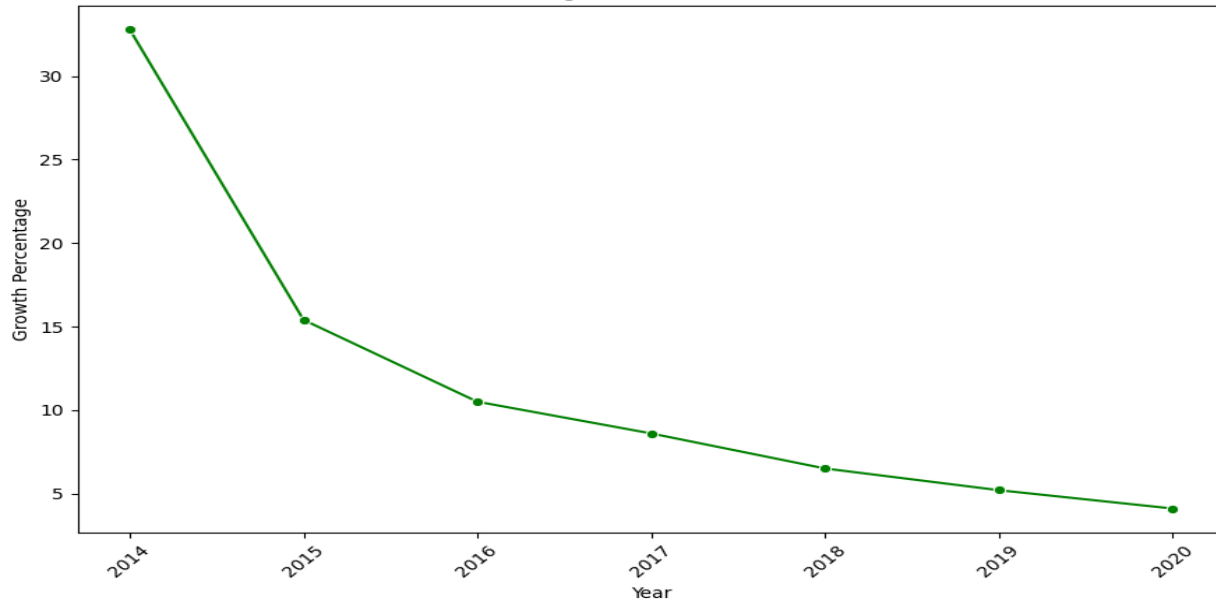
Cumulative Tumblr Blogs Over Years



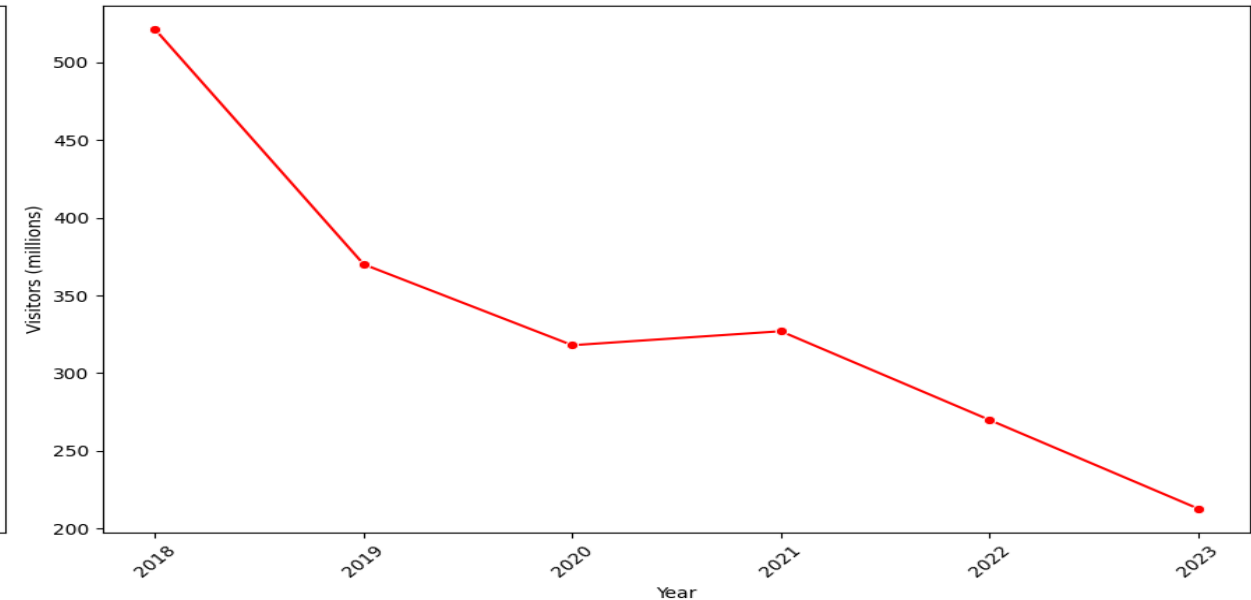
Tumblr Users by Year



Growth Percentage of Tumblr Users (2014-2020)



Tumblr Traffic (2018-2023)



Adjusted valuation and Tumblr's \$1.1B acquisition

- **User Growth & Traffic Decline:** Analysis shows slowed user growth and traffic decline from 2018 to 2023. Adjustments in revenue projections are vital to reflect reduced ad impressions and engagements, aligning the financial model with market trends.
- **Demographic Insights:** Detailed demographics reveal an engaged user base, offering a chance to offset growth slowdown. Higher ARPU assumptions enhance revenue forecasts, deepening understanding of Tumblr's revenue potential.
- **Content Ecosystem Growth:** Increased blog count signals a thriving content ecosystem, crucial for user engagement and platform sustainability. Leveraging this growth to attract advertisers, especially with relevant content, can boost revenue and market position.
- **Market Positioning & Unique Value:** Despite potentially lower MAU than peers, Tumblr's unique community and value proposition set it apart. Emphasizing these aspects strengthens its position, influencing market perception and valuation.
- **Enhanced Valuation Accuracy:** Integrating insights improves model accuracy and strategic relevance. It provides a holistic view of Tumblr's market position and growth, aiding stakeholders in effective decision-making and valuation assessment.

Conclusion

If the valuation model, adjusted with the scraped data and current trends, shows a valuation significantly below \$1.1 billion, it implies that Yahoo may have **overpaid for Tumblr**. This overpayment could be attributed to an overly optimistic view of Tumblr's growth trajectory and monetization potential at the time of acquisition.



THANK YOU!