

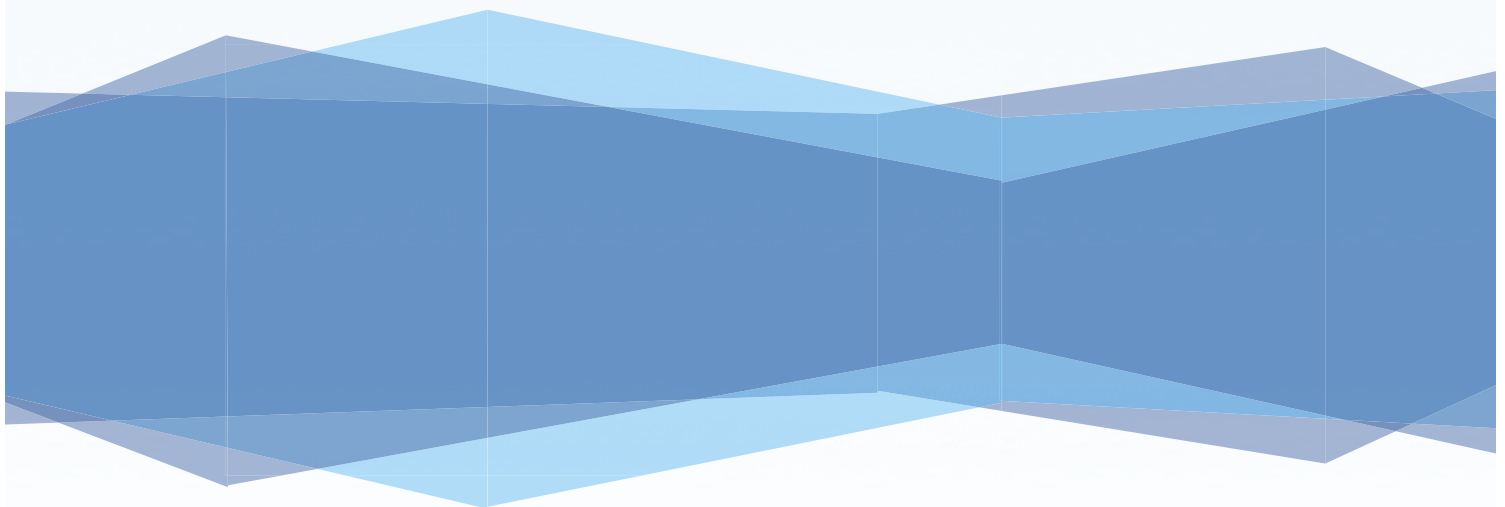


# Facebook-Twitter Acquisition Proposal

**Author: Rodrigo Braga da Cruz**

**Supervisor: Professor António Borges de Assunção**

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# Abstract

Social networks have revolutionized the world by reshaping the way people communicate, interact and live. Facebook was the main propeller of this transformation and is still the undisputed market leader. Twitter also presents a wide (even though smaller) user base, which has been experiencing a slow down during the past year, affecting the company's financials and its stability.

Inspired in news and market rumors, this dissertation aims to extensively analyze the potential acquisition of Twitter, Inc. by Facebook, Inc., focusing on (but not limited to) the perspective of the latter. Taking into account the operational specificities of each company and the industry landscape, I valued both companies on a standalone basis and reached a per share DCF (Discounted Cash Flow) value of \$104.98 for Facebook and \$17.49 for Twitter.

The main argument of the dissertation – the viability of this deal – is supported by potential estimated synergies up to \$14,133 million (optimistic scenario) to be derived from a combination of both companies. I suggest a bid premium of 51% and a mixed payment structure composed by 86.6% of stock (fixed share agreement with an exchange ratio of 0.23) and 13.4% of cash (50% of the bidder's cash balance), totaling an offer of \$27.65 per share.

According to my assumptions and the conducted analysis, both parties should seriously consider such deal since it benefits their shareholders.