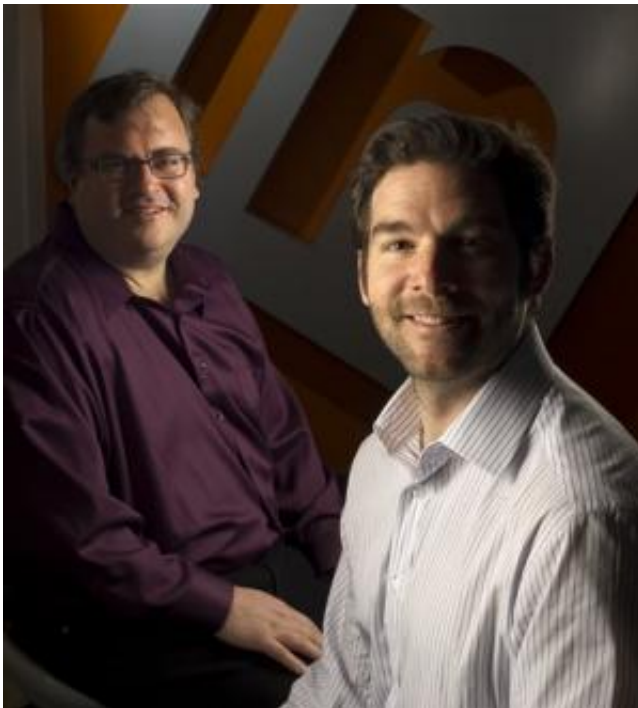


LinkedIn looks to build on its impressive resume

May 13 2013, by Michael Liedtke



In this Tuesday, May 7, 2013, photo, LinkedIn CEO Jeff Weiner, right, and company co-founder Reid Hoffman sit in the lobby of LinkedIn's Mountain View, Calif., headquarters. LinkedIn and Facebook celebrate the anniversaries of their IPOs just a few days apart this week. But the companies' experiences as publicly traded entities couldn't be more different. LinkedIn promotes its service as a stepping stone to a more enriching career. As it turns out, the professional networking company's IPO was a great place to start a rewarding investment portfolio, too. LinkedIn's stock has nearly quadrupled in value from its \$45 IPO price two years ago. (AP Photo/Noah Berger)

LinkedIn and Facebook will celebrate the anniversaries of their IPOs just a few days apart this week. But their experiences as publicly traded companies couldn't be more different.

[LinkedIn](#) Corp. promotes its service as a stepping stone to a more enriching career. As it turns out, the [professional networking](#) company's initial public offering was a great place to start a rewarding investment portfolio, too. LinkedIn's stock has nearly quadrupled in value from its \$45 IPO price on May 20 two years ago. On Monday, it closed at \$175.03 per share. In contrast, [Facebook](#)'s stock is hovering around \$27 per share, down 29 percent since debuted on May 18, 2012 at \$38.

LinkedIn is emerging as the standout performer among its cohort of hotly anticipated IPOs from Internet companies that connect people with common interests. The company is growing faster and yielding far better shareholder returns than the rest of a class that includes online deals maker Groupon Inc., Web game maker Zynga Inc. and business review site [Yelp](#) Inc., as well [social networking](#) leader Facebook Inc.

With the exception of Yelp, the stocks of all those other companies are stuck well below their [initial public offering](#) prices. Although Groupon and Zynga have fared worse, Facebook has been the highest-profile disappointment.

But for all its success, LinkedIn still hasn't immersed itself into people's lives and reshaped technology as profoundly as Facebook has. Although LinkedIn has been attracting more frequent visits since its IPO, people still spend far more time on Facebook and share more of their lives there. Unlike Facebook, LinkedIn hasn't become a hub for other online services, ranging from games to music.

Even among its fans on Wall Street, LinkedIn is seen as little more than an online hunting ground for opportunistic employers on the prowl for

talented workers.

But that could change if LinkedIn CEO Jeff Weiner and Executive Chairman Reid Hoffman realize their ambitions. As the 10-year-old company heads into its second decade, its two top executives want to establish its website as an integral part of the global economy.

"It would be a representation of every economic opportunity and every skill required to attain those opportunities," Weiner said in a recent interview with The Associated Press. "We would have a digital profile for every company in the world and a professional profile for every one of the 3.3 billion people in the (worldwide) workforce. We would then be able to overlay professionally relevant knowledge for each one of those individuals and each one of those companies."

LinkedIn still has a long way to go before it's that pervasive. The service currently has profiles of some 225 million people and 500,000 companies.

But the odds of LinkedIn fulfilling its aspirations may be less of a longshot than the one Hoffman faced when he first started pondering a professional networking service in the midst of the dot-com bust in 2000.

At the time, Hoffman was worried about losing his job as a top executive at online payment service PayPal. The company had just burned through most of its cash, prompting Hoffman to mull other ideas with PayPal co-founders Peter Thiel and Max Levchin during a retreat at his grandparents' house in Gualala, California along the Pacific Ocean's coastline.

A rough concept for LinkedIn came up then, but Hoffman didn't pursue it at the time because PayPal started to thrive.

After eBay Inc. bought PayPal for \$1.5 billion in 2002, Hoffman plowed much of the money that he made from that deal into LinkedIn. He started the company in May 2003 with several former colleagues from his pre-PayPal days—Allen Blue, Konstantin Guericke, Eric Ly and Jean-Luc Vaillant. The group debated several potential names, including Netra, Wellconnected, Bizrep and Connex, before settling on LinkedIn.

Hoffman's gamble paid off. As LinkedIn's controlling shareholder, his stake in the company is currently worth \$3 billion.



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price two years ago. (AP Photo/Noah Berger)

LinkedIn now has market value approaching \$20 billion and employs about 4,000 people. It's expanding so quickly that it is running out of space at its Mountain View, California headquarters located down the block from the home of Google Inc. There will be space for nearly 3,000 more LinkedIn workers once construction is completed on its new corporate campus in nearby Sunnyvale next year.

Things might not have worked out so well if Hoffman, 45, and Weiner, 43, hadn't been introduced to each other at a technology conference in early 2008. They hit it off immediately, something Hoffman remembered a few months later when he began thinking of replacing Dan Nye as LinkedIn's CEO.

Hoffman had been LinkedIn's CEO during the first four years of the company's existence, and he knew it wasn't something that he wanted to do for another extended period—an aversion that differentiates him from other Internet visionaries such as Google's Larry Page, Facebook's Mark Zuckerberg and Salesforce.com Inc.'s Marc Benioff, who all relish running the companies they founded.

"I like solving business strategy problems and I like creating whole new ecosystems for people," Hoffman said. "I am not passionate about leading a 3,000-person plus organization and all the work that goes into doing that in a world-class way. I always knew I didn't want to be CEO forever, but I still wanted to get LinkedIn to where it needed to get."

That's where Weiner came into the equation. Weiner had recently ended a seven-year stint as a key executive at Yahoo Inc. and was helping out various startups on a part-time basis as an entrepreneur-in-residence at

venture capital firms Greylock Partners and Accel Partners.

After Hoffman persuaded him to join LinkedIn as its president in late 2008, Weiner was promoted to CEO six months later.

The partnership has proven highly productive. LinkedIn's membership has increased sevenfold from the 33 million members that had set up free profiles on the service at the time Weiner came on board. Revenue this year is expected to approach \$1.5 billion, 19 times more than the \$79 million generated before Weiner's arrival. The company's profits are also steadily rising. Analysts predict LinkedIn's net income will rise about 20 percent this year to \$26 million.



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LinkedIn has made a habit of topping analyst projections. That is something the company has done in every quarter since its IPO, helping to propel its stock.

Yet LinkedIn remains in Facebook's shadow. Since 2008, Facebook has grown even faster as the number of people using its social network swelled 11-fold to 1.1 billion and annual revenue soared 25-fold from \$272 million last year to a projected \$6.7 billion this year.

But LinkedIn has been outpacing Facebook during the past year, both in terms of user growth (LinkedIn's membership is up 35 percent versus 23 percent at Facebook) and revenue (LinkedIn's first-quarter revenue rose 72 percent versus 38 percent at Facebook).

The secret to LinkedIn's success? The company has turned its service into an easily searchable database, a treasure trove for employers and their headhunters. The company makes most of its money from the fees it charges for analytical tools and better access to individual profiles. About 18,000 companies now pay LinkedIn for its so-called "talent solutions."

Most employers rely on LinkedIn to find so-called "knowledge" workers who can fill positions that require a college degree or other specialized training. Think: computer programmers, website developers, scientists, accountants, lawyers and executives. Although McDonald's is unlikely to turn to LinkedIn to find a cashier, a coffee shop might use the service to recruit a barista. A ski resort might scour the site in search of ski

instructors.

"They are not even scratching the surface of what they might eventually be able to do," said Wedge Partners analyst Martin Pyykkonen.

LinkedIn is expected to generate even more revenue by selling more ads to accompany content such as professional insights from famous executives such as Richard Branson and Jack Welch, as well as other compelling content that induces its membership to visit the site more frequently and dwell for longer periods.

LinkedIn is also working on more analytical tools to sell to sales representatives who are "looking to turn a cold call into a warm prospect," Weiner said.

Almost everything will have to go right for LinkedIn to support its lofty stock price. Investors are currently paying about \$121 for every dollar in LinkedIn's estimated earnings this year and \$13 for every dollar in projected revenue. By comparison, Facebook's stock is selling for \$47 for every dollar in projected earnings this year and \$10 in every dollar in projected revenue.

"You really have to buy into the idea that LinkedIn's revenue is going to grow 10-fold from here to justify its valuation," Wedbush Securities analyst Michael Pachter said. "It's a good company with an expensive stock."

LinkedIn's success also could attract more competition. The company's biggest threat, of course, is Facebook, which already knows where most of its users work and where they went to school.

Weiner isn't worried about Facebook expanding into LinkedIn's turf because the company's research indicates that most people want a

dividing line between their professional and personal identities.

Facebook hasn't yet shown any desire to open a professional networking channel, but Pachter thinks there is a greater likelihood of it happening if LinkedIn continues to do well.

"Facebook could just say, 'Hey are you tired of going to LinkedIn? Just enter all your professional information here and we'll code it so only your business friends can see it,'" Pachter said.

Another alternative would be for Facebook to buy LinkedIn. But Pachter doubts that will happen now that LinkedIn is worth so much.

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