

**From:** Richard Kahn <[REDACTED]>

**To:** Jeffrey Epstein <jeevacation@gmail.com>

**Subject:** FW: LinkedIn Corp: A Platform at the Crossroads; Downgrading to EW, \$125 PT

**Date:** Wed, 16 Mar 2016 11:48:10 +0000

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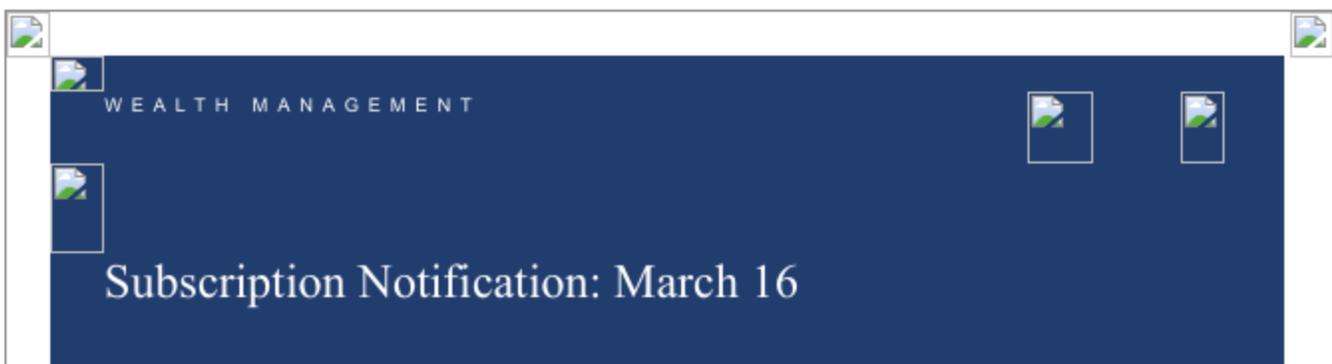
**From:** Morgan Stanley <[REDACTED]>

**Reply-To:** <[REDACTED]>

**Date:** Tuesday, March 15, 2016 at 11:17 PM

**To:** Richard Kahn <[REDACTED]>

**Subject:** LinkedIn Corp: A Platform at the Crossroads; Downgrading to EW, \$125 PT



**[LinkedIn Corp: A Platform at the Crossroads; Downgrading to EW, \\$125 PT](#)**

**Brian Nowak, CFA – Morgan Stanley**

*March 16, 2016 4:01 AM GMT*

We downgrade LNKD to EW (from OW) as slowing enterprise and online talent solutions growth and rising investment across all 4 businesses reduce earnings power and raise execution risk. With its current product offering, LNKD isn't likely to be as big of a platform as we previously thought.

**Why We Were Wrong and What's Changing:** We have previously been bullish on LNKD's platform monetization opportunity driven by: 1) multiple years of assumed strong Talent Solutions (TS) growth as more large enterprises and SMBs adopt the platform and 2) budding new monetization opportunities like B2B advertising, Lynda, and Sales Navigator. But 4Q:15 results, 2016 guidance, decelerating large enterprise customer growth, and recent management commentary on strategic investments make us believe we have overestimated LNKD's ability to grow its platform and underestimated the investment needed to grow.

As such, we are reducing our near-term and long-term revenue and EBITDA forecasts (see Exhibit

and Exhibit

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) and now believe LNKD will be a materially smaller platform than we previously thought. We are reducing our DCF-based PT to \$125/share (from \$190) as well, driven by our lower long-term cash flow forecasts and increased execution uncertainty. This PT implies paying 12X 2017 non-GAAP EBITDA for 19% EBITDA growth...a ~5% premium to the median multiple of its Internet platform peers for 200bp faster growth. LNKD is a Platform at the Crossroads of Uncertainty: LNKD's ability to re-accelerate TS growth and/or deliver better than expected results in B2B advertising, Lynda or Sales Navigator could reinvigorate investors and drive the stock back toward our bull case valuation (\$200/share). That said, continued faster than expected deceleration and/or mis-execution will likely cause the stock to be range-bound (best case) or trend toward our bear case valuation (\$60/share).

Lowering Talent Solutions Field Revenue with More Tepid Large Enterprise Growth...We are low

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