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**“THE AGE OF THE NEAR-ZERO-EMPLOYEE \$1 BILLION COMPANY IS HERE”**

- **Market conditions, near-free distribution channels and viral marketing combine to accelerate the commercial potential of innovation, according to analysis by Magister Advisors**
- **Revenue generation speed increases 40-fold (in real terms) in a generation**

**LONDON, May 2, 2012:** The near-zero-employee \$1 billion company is here according to industry analysis by Magister Advisors, M&A advisors to the technology industry. A new breed of super-efficient technology companies is already emerging, capitalizing on near-free distribution channels that enable entrepreneurs to find significant markets for their innovations with minimal capital investment and virtually no headcount. These new conditions translate into minimal risk, unparalleled upside and potentially accelerated revenue generation for entrepreneurs.

Recent acquisitions and IPO valuations point to this trend. Facebook’s acquisition of Instagram, a business with 13 staff, for \$1 billion translates into a value per employee of \$77 million. Facebook’s IPO filing implies a value per employee for its own business of \$33 million. Microsoft, by contrast, has a value per employee of \$3 million.

Victor Basta, managing director of Magister Advisors, said: “The potential for this new breed of super-efficient companies to accelerate revenue generation is unprecedented. Microsoft went from zero to \$1 million revenues in 3 years (\$3.6 million in today's terms). Facebook, by comparison, went from zero to \$150 million revenues in 3 years, representing a 40-fold acceleration in real terms. This will only get easier and faster for the right idea.”

<b>Company</b>	<b>Approximate value per employee</b>	<b>Approximate number of employees</b>
Instagram	\$77,000,000	13
Facebook	\$33,000,000	3,000
Twitter	\$11,000,000	900
Apple	\$10,000,000	60,000
Microsoft	\$3,000,000	92,000

Magister Advisors’ analysis points to huge leverage from:



- **Established distribution channels:** vastly improved bandwidth, mobile networks that carry data on applications between users and ecosystems such as Facebook and iTunes which reach hundreds of millions of potential users immediately.
- **Zero-cost download business models:** readily available storefronts and the opportunity to create real interest in a new product across social media.
- **Near free, very stable software stacks and reusable components** – start-ups can develop products using immediately-available, tested software code to create applications literally over a weekend, what would have taken months or years of custom development to achieve in past years.
- **User connection marketing** (one person requires another user to use something)

Victor Basta added: “The opportunity to create huge value – and create it quickly – has never been greater, with minimal operational risk. The arrival of the \$1 billion one-employee business is surely imminent.

“Microsoft and Apple were both built on the entrepreneurial genius of a handful of individuals. The difference was that they needed to build a whole infrastructure to grow. The parallels between the early days of Microsoft and Apple and today’s new generation of white hot technology companies are compelling. What today’s business models make clear is the huge amount of value that resides in individual employees in successful technology companies, something that hasn’t been visible before.”

“A glance at the early team photograph of Microsoft, juxtaposed with a photograph of the team at Twitter or Instagram, for example, is a perfect illustration of how different it would be for a Microsoft if it were founded today. The only parallels are in the clothing.”

“Today, the world has changed completely. Businesses no longer need 500 or more employees to manage and implement sales, marketing and distribution channels. We have established free distribution channels, download business models, lots of free or near-free open source software code and the growth of user-connection marketing. All of these factors create the perfect opportunity for value creation in a very short period of time with minimal capital outlay and therefore very low risk. A handful of Instagram people turned 551 days of effort into a \$1 billion business. Twitter was developed literally over a weekend, and coded and launched within 4 months.”



“Take Apple, for example. This is a business with a current market valuation of more than \$600 billion. If you strip Apple down to its innovative core, the value that can be ascribed to a very few individuals could be measured in the billions. If Apple was starting out today, the same core group of innovators could create billions of value very quickly.”

He added: “The dotcom bubble enabled businesses to achieve stratospheric valuations based on their perceived future potential. The game this time is very different. You can get your innovation into the hands of hundreds of millions of individuals in a very short period of time and at very low cost - and in the process start to build real value very quickly. In 1999, businesses were being valued per unique user. We should now be considering the value per unique employee and be more concerned with the number of unique users. A high valuation per unique user is a warning sign.”

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#### **About Magister Advisors**

Magister Advisors is a leading M&A advisory firm to the technology industry. With offices in London and Silicon Valley, Magister advises companies seeking to achieve an optimum exit. Last year Magister advised on 15% of all European technology exits valued above \$50m. Recent Magister deals include the sale of C3 Technologies for \$250m (40x revenue), LoveFILM's \$320m exit to Amazon, Mobile Interactive Group's \$59m exit to Velti and Clearswift's sale to Lyceum Capital.



The Microsoft team, late 1970s



The Instagram team, 2012



Twitter's founders