

Facebook creates dual-class structure, but no IPO

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FILE - In this Nov. 6, 2007 file photo, Facebook CEO and founder Mark Zuckerberg speaks to press and advertising partners at an event in New York. Facebook on Tuesday, Nov. 24, 2009 created a dual-class stock structure designed to give Zuckerberg and other existing shareholders control over the company. (AP Photo/Craig Ruttle, File)

(AP) -- Facebook has created a dual-class stock structure designed to give founder Mark Zuckerberg and other existing shareholders control over the company.

The move could be seen as laying the groundwork for an initial public offering, though the social network said Tuesday it had no plans to go public "at this time."

The dual-class structure is what [Google](#) Inc.'s founders, Larry Page and [Sergey Brin](#), created to keep voting control over that company before it

went public in 2004. Google's Class B shares, owned by Page, Brin, [CEO Eric Schmidt](#) and some directors, hold 10 times the voting power as its regular, Class A stock.

In a statement, Facebook Inc. said the company introduced the stock structure because its existing shareholders wanted to keep control when voting on issues it faces.

The company didn't say which executives and employees would get the shares with the higher voting power. The [Wall Street Journal](#), citing unnamed sources, said Facebook was converting the shares of all its current stockholders into Class B shares that, like Google's, hold 10 times the voting power of Class A stock.

That would be a departure from Google's decision to keep such shares in the hands of a few top executives - something for which the search company has been criticized.

Dual-class structures aren't limited to high-tech companies. The [New York Times](#) Co., among others, has one to give control to the Ochs-Sulzberger family even though its members own only one-fifth of the newspaper company.

Creating a class of shares with more voting power and keeping those shares in the hands of founders and employees can potentially allow a company to take more risks even at the expense of short-term investors, said Standard & Poor's equity analyst Scott Kessler, who has followed Google since its [IPO](#).

Both Google and Warren Buffett's Berkshire Hathaway Inc., another company with a dual-class stock structure, take a long-term view of their business and isn't always seen as friendly to investors, he added.

For example, neither company has ever split its stock: Google's shares closed Tuesday at \$583.09, while Berkshire's was at \$102,700. A stock split makes a company's shares cheaper, opening them to more investors, even those who could simply looking to make a quick buck.

"They want to promote and preserve true long-term holders of the stock," Kessler said.

Facebook's chief operating officer, Sheryl Sandberg, worked at Google when that company went public. Facebook, which is based in Palo Alto, Calif., has lured other employees from Google as well.

Facebook, which has more than 300 million users, has raised more than \$600 million from investors since it was founded more than five years ago. Its most recent infusion came this spring from Russian Internet investor Digital Sky Technologies, which invested \$200 million in exchange for a 2 percent stake in the company, valuing Facebook at \$10 billion.

It was not clear which class of stock Facebook would use if it uses stock to buy other companies in the future.

The company said recently that it was "cash-flow positive" in the second quarter, which means it brought in more money than it spent. While this doesn't necessarily mean that [Facebook](#) is profitable by the measures most companies use - taxes, debt payments and accounting charges can use up the remaining cash - it was an important milestone.

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