

# Report: Facebook IPO filing could come next week (Update)

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In this May, 26, 2010 file photo, Facebook CEO Mark Zuckerberg talks about the social network site's new privacy settings in Palo Alto, Calif. The Wall Street Journal reported Friday, Jan. 27, 2012 that Facebook is preparing to file initial paperwork for an offering that could raise as much as \$10 billion and value the company at \$75 billion to \$100 billion (AP Photo/Marcio Jose Sanchez, File)

When Facebook makes its long-expected debut as a public company this spring, the social-networking company will likely vault into the ranks of the largest public companies in the world, alongside McDonald's, Amazon.com and Bank of America.

The Wall Street Journal reported Friday that Facebook is preparing to file initial paperwork for an offering that could raise as much as \$10 billion and value the company at \$75 billion to \$100 billion. The filing

with the Securities and Exchange Commission could come as early as Wednesday, with an initial public offering of stock in three or four months.

The targeted amount would slot it among the world's 25 largest IPOs, although as recently as November 2010, General Motors raised \$15.8 billion when it shed majority control by the U.S. government.

The IPOs of 14 companies would rank higher than Facebook's, according to investment adviser Renaissance Capital. Among them were Visa Inc.'s \$17.9 billion IPO in March 2008, the largest for a U.S. company, and world-topper Agricultural Bank of China Ltd., which raised \$19.3 billion in July 2010, not including extra shares issued to meet demand.

Facebook spokesman Larry Wu said the company will not comment on IPO-related speculation. The Journal had cited unnamed people familiar with the matter.

The Journal also said that Facebook was close to picking Morgan Stanley as the lead underwriter, which would be a setback for rival Goldman Sachs. Both declined comment to The Associated Press.

The buzz surrounding an outsized haul for Facebook's founders, employees and early investors remains a hopeful sign for capital markets following a deep recession. At the reported price, Facebook's IPO would be the biggest for a U.S. Internet company ever - topping the debut of one of its main rivals, Google Inc.

"We are expecting 2012 to be a year of recovery for the IPO market led by the Facebook IPO," said Kathy Smith, Renaissance Capital's principal.

The event will follow a string of tepid debuts by technology startups including social game maker Zynga and discount advertiser Groupon. The stocks of both companies are just pennies above their offering prices in December and November respectively. Zynga's stock fell 5 percent below the IPO price on its first day of trading.

Facebook's will be the most anticipated tech IPO since Google went public in August 2004. Not including shares sold by early investors, the Internet search giant raised \$1.2 billion and grabbed a market value of \$23 billion, the biggest so far for a U.S. Internet company. The IPO raised \$1.9 billion, including shares sold by early investors and extra stock issued to meet the heavy demand. It's not known whether Facebook's \$10 billion target includes shares owned by early investors.

Facebook's reported valuation of \$75 billion to \$100 billion compares with about \$100 billion for McDonald's Corp., \$90 billion for Citigroup Inc. and Amazon.com Inc. and \$75 billion for Bank of America Corp. It would exceed the market cap of \$55 billion for Hewlett-Packard Co., one of the world's largest technology companies by revenue.

Both Facebook and Google earn most of their money from advertising and are now competing to gain as much information as possible about their users to help advertisers target niche audiences.

According to eMarketer, Facebook is expected to grow its share of the U.S. display ad market to about 20 percent this year from 16 percent in 2011, above second-ranked Yahoo's expected share of about 13 percent. For overall online ad revenue, Facebook is seen grabbing just 8 percent of the market this year, compared with 45 percent for Google.

EMarketer estimates that Facebook's ad revenue will grow 52 percent to \$5.78 billion this year and will reach \$7 billion in 2013.

Despite presumably topping Google's public launch, Facebook spent more time growing behind the veil of private ownership than its rival.

Facebook was founded by Mark Zuckerberg and his college roommates in 2004 and is debuting on stock markets in its eighth year. Google's IPO came six years after being founded by Larry Page and Sergey Brin. When Google turned eight in August 2006, its market cap was roughly \$116 billion. Today, the company is worth nearly \$190 billion - down from a peak of about \$235 billion in November 2007.

Investors may be asked to bet heavily on the belief that Facebook will continue to revolutionize the way people communicate around the globe. Even with Facebook's heady growth rate, Google had ad revenue last year of more than five times what Facebook is expected to get in 2013. Yet it is Google that is mimicking Facebook in building a rival social network called Plus.

"There's the general feeling that Facebook might be the future of the way the Internet works," said eMarketer analyst Debra Aho Williamson.

Zuckerberg, 27, is already worth \$17.5 billion, based on the latest estimates from Forbes magazine. Most of that wealth is drawn from the value of Facebook shares that have traded among a small universe of well-heeled investors that buy stakes in companies before they go public.

As the company gauges public demand for its stock, the number of shares offered and the price asked could change significantly. Groupon had to refile its securities paperwork repeatedly as regulators questioned some of its accounting methods. Even Google took in less than it hoped as people shunned an unorthodox auction-based offering.

John Fitzgibbon Jr., publisher of IPOscoop.com, said it's too early to get excited.

"Until they actually put the ink on the paper and push it across the desk of the SEC, it's all speculation," he said.

The possible filing next week isn't all that surprising.

Federal rules require companies with at least \$10 million in assets and more than 500 shareholders to disclose its quarterly financial results and other details. The reporting requirement kicks in 120 days after the fiscal year in which a company exceeds the shareholder threshold for the first time.

Facebook's fiscal year ends Dec. 31, so it has until late April 2012 to comply with this requirement, having hit the 500-shareholder threshold last year. Because it typically takes three or four months after filing paperwork to issue the IPO, a Wednesday filing would allow it to meet the deadline. If it happens in May, it could become a lucrative birthday gift for Zuckerberg, who will turn 28 that month.

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