'Like' Facebook stock? Experts weigh in on IPO

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(AP) -- Facebook's much-hyped initial public offering promises to be an exciting spectacle when the social media giant goes public this spring. But should you update your status to "shareholder"?

The potential rewards from this $5 billion IPO are big, but so are the risks.

Some numbers that came out in Facebook's filing late Wednesday were impressive: a $1 billion profit in 2011, $3.7 billion in revenue, 845 million users. What's still unknown: the initial stock price that connected buyers will be able to get, not to mention what shares will cost by the time average investors get a chance to buy shares.

A roundup of opinions from fund managers and other investment professionals on just how good an investment Facebook might be:

"The key question is what will the (stock's) valuation be. We'll find out in the road show. If they're making $1 billion a year, I'm not excited about paying 100 times earnings. This is an Internet company. It's not Apple selling 100 million iPhones."

- Barry Ritholtz, CEO of research firm FusionIQ, New York.

"Facebook can be a great company, but that doesn't mean its stock won't underperform. Trying to pick out successful IPOs - that's stock-picking on steroids. It's definitely a gamble, and Main Street investors should stay as far away as possible."

- Mark Matson, CEO of Mason, Ohio-based money management firm Matson Money.

"They're nicely profitable at a few billion in revenue. It probably means they will be obscenely profitable once they get to $10 and $20 billion."

- Kevin Landis, chief investment officer of Firsthand Capital Management, San Jose, Calif., whose funds have a substantial Facebook stake.

"Facebook is competing with some extremely deep-pocketed companies like Google and has a relatively inexperienced management team. It's a high-risk, speculative investment that I'm afraid Mom and Pop are going to put significant sums into. There are going to be thousands of advisers who lose a lot of money on Facebook."

- Andrew Stoltmann, Chicago-based securities lawyer and investor advocate.

"The real money in IPOs is made by the people who are buying stock privately, then selling it in the market and pocketing the difference. The average investor can't get access to that. You need luck on your side.

You could be left holding the bag after you buy high."

- Rob Russell, president of Dayton, Ohio-based money management firm Russell & Company.

"The business model's not fully developed yet. Nevertheless, it looks a lot more profitable than I anticipated. With a 48 percent operating margin, that's about double the profitability of Google when it went public. If it comes out at $35 or $40 a share, I think that's reasonable price.

- Tom Vandeventer, managing director of Tocqueville Opportunity Fund, New York.

"If you can own the stock for an intermediate term, I suspect you will make money. Remember, when Google went public, the stock was valued at roughly $27 billion in 2003. It reached almost $200 billion by 2007. With Facebook, you have a very high growth, early stage company that has a profitability model that will be very similar to Google's."

- Christopher Baggini, senior portfolio manager, Turner Titan mutual fund, Berwyn, Pa.

"I believe there's a group that will buy this stock no matter how it's priced. There's a group - hedge funds or other large investors - that will buy all the social media issues because they don't know which one will be the next Google. Looking back on the Internet days of the `90s, one

Google will pay for 100 Pet.coms."

- Jack Ablin, chief investment officer at Harris Private Bank, Chicago.

"This filing implies Facebook is valued at $100 billion, which I think is too high. That's about 27 times more than their 2011 revenue. But even assuming they can double revenue this year, I think it's too high. It's reminiscent of the valuations for stocks in the Internet 1.0 days."

- Karsten Weide, analyst with technology research firm IDC, San Mateo, Calif.

"The retail investor should be really skeptical of purchasing into the hype. Longer term, if investors are looking to hold it for many, many years, there's a great opportunity. But in the short term, there's a high level of risk that they could purchase on one of the spikes and get punished."

- Gareth Feighery, CEO of MarketTamer.com, a stock and options training website.