Money managers, analysts comment on Facebook IPO

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Facebook is finally going public. For investors lucky enough to get in on the IPO, the question is simple: Is this going to be the mother lode that puts their kids through college? Or an over-hyped dud?

Facebook, whose stock ticker symbol will be FB, won't trade for a couple months. Between now and then, debates about how the stock will do are going to be as heated as the one between Giants and Patriots fans this week over who will win the Super Bowl. To kick things off, The Associated Press asked some top money managers and analysts for their immediate reaction to Facebook's regulatory filing Wednesday evening for a $5 billion IPO.

KEVIN LANDIS, chief investment officer of Firsthand Capital Management, the investment adviser to Firsthand Funds. The fund group includes Firsthand Technology Value Fund, a closed-end fund whose top holding is Facebook's private shares. Those shares represent 5 percent of the fund's assets.

- Disclosures in the filing about Facebook's $3.7 billion in revenue last year and 845 million users have increased his confidence that Facebook can eventually become a profit powerhouse:

"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.

"It's probably growing north of 50 percent (a year), so they will be dropping more and more cash to the bottom line.

"As they grow into their potential, those profitability numbers, which are already really good, should get better and better, which is pretty amazing."
- As for the $5 billion Facebook is seeking to raise:

"I think most people were figuring it could go out at up to $100 billion valuation, and they would float 5 to 10 percent of it, so that is right in the ballpark.

"You start out with a modest number. But gosh, you're living right if $5 billion is a modest number."

CHRISTOPHER BAGGINI, senior portfolio manager, Turner Titan mutual fund:

"I think the offering is a bit small in terms of the number of shares to be offered, and I suspect the $5 billion they expect to raise will be increased during the IPO process.

"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."

JACK ABLIN, chief investment officer at Harris Private Bank in Chicago:

"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.

"It's kind of a wildcatting type approach - you have to be involved in all of them."

KARSTEN WEIDE, analyst with technology researcher IDC:

"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.

"Even if it were valued at just at $80 billion, I think it would be too high. There are a number of challenges and risks Facebook faces, and one is the growth of Google Plus (a rival social networking site)."

GARETH FEIGHERY, CEO of MarketTamer.com, a stock and options training website:

"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."

TIMOTHY KEATING of Keating Capital Inc., a firm that makes investments in small private companies that expect to go public:

"Facebook could be one of the greatest companies on the planet."

But Keating says that won't necessarily make the stock a good buy. It all depends on the price.

He says investors will compare the price of Facebook's shares with those of companies such as Google and Apple, and assess whether Facebook is richly priced measured against its earnings and sales growth potential. But Facebook is a younger company, which could lead investors to bid its shares up higher than the relative prices of Google and Apple.

"One could argue that Facebook still has huge growth prospects ahead of them, so they deserve a premium valuation."

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