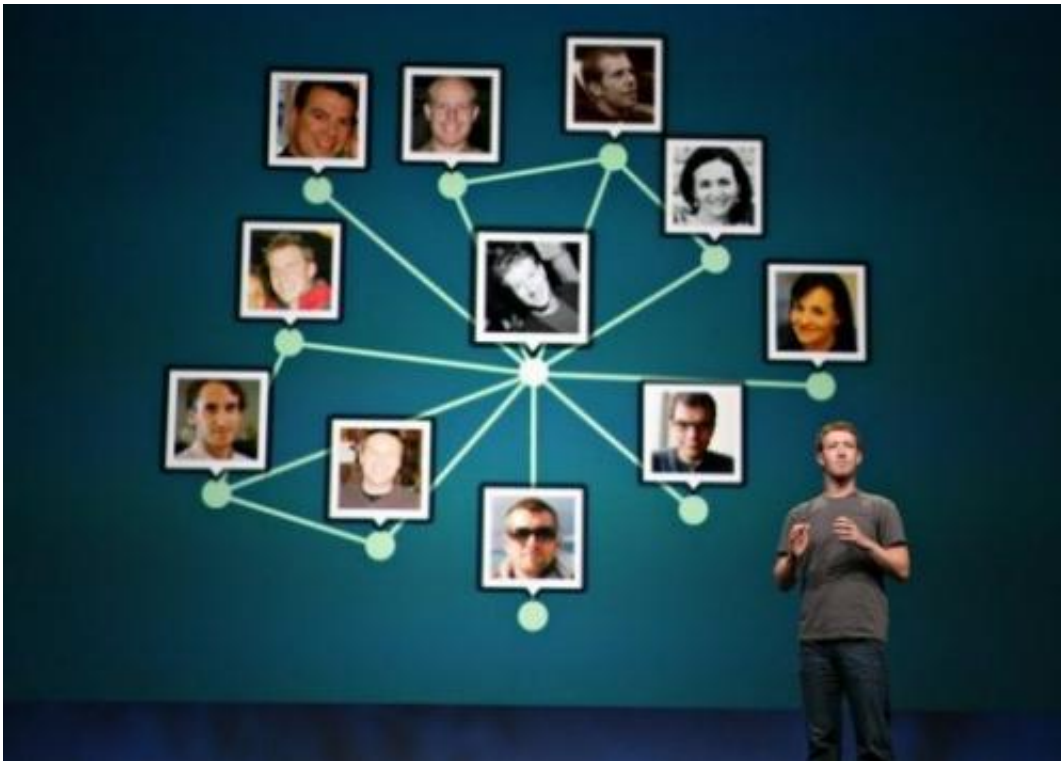


# Facebook buys Instagram photo app for \$1 bn

April 9 2012, by Glenn Chapman

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Facebook CEO Mark Zuckerberg, pictured in 2011. Facebook announced Monday that it had reached an agreement to acquire Instagram, describing it as "a fun, popular photo-sharing app for mobile devices," for \$1 billion in cash and shares.

Facebook on Monday announced a billion-dollar-deal to buy the startup behind wildly popular smartphone photo sharing application Instagram.

The big ticket purchase was seen by some as a move by Facebook to strengthen defenses against Google and blazingly hot newcomer Pinterest in the weeks ahead of what promises to be a history-making stock market debut.

"For years, we've focused on building the best experience for sharing photos with your friends and family," Facebook co-founder Mark Zuckerberg said in announcing the deal.

"Now, we'll be able to work even more closely with the Instagram team to also offer the best experiences for sharing beautiful mobile photos with people based on your interests."

Zuckerberg called the acquisition "an important milestone for Facebook because it's the first time we've ever acquired a product and company with so many users" but promised it was a rare acquisition.

An Instagram application tuned to Apple's iPhones, iPads, and iPod touch devices has been downloaded more than 30 million times since the first version was released in late 2010 by the San Francisco startup.

A version of the application tailored for smartphones powered by Google-backed Android software racked up more than a million users in the 24 hours after its release last week.

"Instagram has built a sizable mobile photo sharing community," said NPD analyst Linda Barrabee.

"Clearly the value-proposition of Instagram's offering is a solid fit for Facebook."

The free mini-program lets people give classic looks to square photos using "filters" and then share them at Twitter, Facebook or other social

networks.

Apple crowned Instagram its app-of-the-year for 2011.

"We're psyched to be joining Facebook," Systrom said in a message at the Instagram website.

"It's important to be clear that Instagram is not going away," he continued. "We'll be working with Facebook to evolve Instagram and build the network."

Facebook users flood the world's largest social network with images to share with friends, but the website hasn't proven to be an ideal stage for organizing pictures around topics -- a forte that has made Pinterest a star.

"Facebook is pushing into the Pinterest space," said analyst Tim Bjarin of Creative Strategies.

"The thing about Instagram and Pinterest is that they are really interesting in the context of posting pictures around topics," he continued.

Silicon Valley analyst Rob Enderle said that Facebook is building a defense against Pinterest, which has been luring people's attention from the social network.

"Instagram is a reasonable competitive hedge against Pinterest," Enderle said.

"At the heart of both startups is picture indexing, they are just handled differently."

While Bjarin referred to the billion-dollar price tag for Instagram

"boggling," Enderle contended that it could prove to be a bargain if it helps Facebook shine for its IPO on Wall Street.

Facebook in February filed for a stock offering and could raise as much as \$10 billion in the largest flotation ever by an Internet company on Wall Street.

Facebook -- the leading social network in all but six countries, notably China and Russia -- claims more than 845 million users.

Facebook's value has been estimated at between \$75 billion and \$100 billion.

"The Instagram buy could be worth tens of billions of dollars if it holds off Pinterest and Facebook remains on top, Enderle said.

"Given what Facebook is trying to do -- get a massive valuation when it goes public -- a billion dollars is a trivial sum."

Facebook likely wanted to keep Instagram out of the hands of rivals such as Google while at the same time ramping up mobile offerings as people increasingly weave smartphones and tablet computers into lifestyles, according to analysts.

"It's conceivable that Facebook made this acquisition now to prevent other companies from snatching up Instagram," said Forrester analyst Melissa Parrish.

"It wouldn't be too surprising to later learn that Facebook wasn't their only courtier," she continued.

Some Instagram lovers were upset by the takeover news and expressed themselves, fittingly, in images posted online.

There were images of the word "no" as well as "R.I.P. Instagram" and "FU FB."

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