

Facebook buy of Instagram 'probed by US regulators'

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The hefty price Facebook paid for photo-sharing app Instagram qualified it for a review by the US Federal Trade Commission (FTC), which remained mum on the subject despite a Financial Times report on Thursday saying that a probe was underway. The investigation was considered routine given the price tag on the deal, but it could threaten the social network's plan for an IPO of stock next week.

Facebook's billion-dollar deal to buy the startup behind photo-sharing smartphone application Instagram has evidently caught the eye of US regulators.

The hefty price tag qualified it for a review by the US [Federal Trade Commission](#) (FTC), which remained mum on the subject despite a Financial Times report on Thursday saying that a probe was underway.

A [Facebook](#) spokesman contacted by AFP said the California-based company would not comment on reports of a FTC probe of the Instagram acquisition.

The impetus of an FTC investigation was considered routine given the price tag on the deal, but such a probe could threaten to complicate the social network's plan for an [initial public offering](#) (IPO) of stock next week.

"It takes 12 months to undergo review and the acquisition can't close until the FTC finishes," said independent analyst [Rob Enderle](#) of Enderle Group in [Silicon Valley](#).

"Now Facebook has an open acquisition during an IPO and that could be a problem."

Takeovers under review by regulators tend to spook potential investors because of uncertainties regarding how they may play out.

Facebook last month announced a deal to buy the startup behind 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.

Top executives at the world's leading social network this week kicked off their all-important road show on Wall Street -- an intense marketing drive ahead of the company's expected trading launch on the tech-heavy Nasdaq on May 18.

In a filing with the US [Securities and Exchange Commission](#), Facebook

set a price range of \$28 to \$35 for its shares, which would value the firm at between \$70 billion and \$87.5 billion.

Based on the estimated market value, Facebook would rank behind Amazon and Cisco, each worth over \$100 billion, but ahead of Hewlett-Packard (\$48 billion) and struggling Yahoo! (\$19 billion).

If all stock options that could be exercised in the next one to two years are taken into account, the value would rise to between \$91 billion and \$97 billion -- or up to 26 times the turnover Facebook posted in 2011.

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