Facebook stock limps into Monday

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A videographer shoots the side of Facebook's Like Button logo displayed at the entrance of the Facebook Headquarters in Menlo Park, California. The social networking site resumes trading on Wall Street on Monday with shares being closely watched to see how well they stand on their own after stumbling out of the gate in a historic but lackluster debut.

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Second-guessing continued through the weekend as analysts and others debated whether the leading social network's decision to price its initial public offering at $38 per share on Friday was overreaching or right on target.

Shares briefly climbed above $42 before skittering back down and finishing at $38.23 with the help of underwriting banks that essentially put a floor under the stock by buying back shares when they dipped to the opening price.

"It's hard to know what would have happened if the banks hadn't stepped in," said Lou Kerner of the Social Internet Fund, raising questions about what will happen to Facebook's share price when the Nasdaq reopens on Monday.

Facebook investors and insiders were big winners, reaping fortunes as the Menlo Park, California-based firm started by Mark Zuckerberg in a Harvard dorm room eight years ago went public with a value of $104 billion.

Some analysts argued that the performance of the stock meant the listing price was right on target and Facebook would have "left money on the table" if stock rocketed through the day in a show of misjudged investor demand.

Having shares hold slightly above the IPO price also avoids unrealistic expectations that big opening day gains can be sustained.

In truth, however, companies going public typically want the momentum and desirable status that comes with stock being so coveted that the price rockets from the launch pad.

"I think that the underwriters convinced Facebook to offer too much stock," said analyst Michael Pachter of Wedbush Securities. "The market didn't have sufficient appetite for the number of shares offered."

Other analysts contended that the cool response to the hotly anticipated IPO showed that investors have learned from the folly of dot-com boom days and are gauging the social network's potential to turn its popularity into profit.

Market trackers have reported that people are much more likely to click on ads at Google than at Facebook, and US auto giant General Motors said the day before the IPO that it would no longer advertise on Facebook because it lacked impact.

"The marketing community is increasingly recognizing that Facebook is of very limited value as a marketing tactic," said Pace University business school professor Larry Chiagouris.

"The best advice to investors is to pass on this one," he said. "The best advice to marketers is to limit spending on Facebook until it can prove it returns meaningful results."

Facebook has yet to show how it will cash in on members using the service from smartphones or tablet computers. Ads are only displayed when people visit Facebook from desktop or laptop computers.

"Management cannot sing and dance around the key issues," said Global Equities Research managing director Trip Chowdhry. "How is Facebook going to monetize mobile?"

More than half of Facebook's approximately 901 million users connect with the social network from mobile gadgets each month, according to Chowdhry.

Zuckerberg, who followed up the IPO by marrying his long-time girlfriend on Saturday, has made a priority of following Facebook users onto mobile gadgets.

Facebook's first day as a publicly traded company ended with news that the company had bought year-old San Francisco startup Karma, which runs a service that lets people send gifts to friends from smartphones.

Facebook did not disclose how much it paid for Karma, which will continue to operate its service.

In the weeks before the IPO, Facebook made a series of mobile moves including a billion-dollar stock-and-cash deal to buy the startup behind hot smartphone photo-sharing application Instagram.

The social network also unveiled an online center for smartphone applications synched to Facebook and bought mobile discovery startup Glancee.

It remains to be seen whether Facebook will prove to be the kind of shrewd investment that Google was when it went public in 2004.

"Should Facebook shares follow the Google route, undoubtedly there will be champagne corks popping in Silicon Valley for some time to come," said City Index chief market strategist Joshua Raymond.

"For now, though, we have seen the completion of one of the most hotly anticipated IPO's for some time, which has provided some welcome relief and a break from the woes and concerns regarding the euro crisis."