

Want a piece of Facebook? Get in line

May 14 2012



Facebook, already assured of becoming one of the most valuable US firms when it goes public later this month, now must convince investors in the next two weeks that it is worth all the hype. The world's leading social network company will launch on the Nasdaq on May 18.

Facebook may be the year's hottest stock issue -- but try getting a piece of it. Small investors will find the line long and hurdles high to get even a handful of shares.

And membership in Facebook's social network won't help, no matter

how much you "like" the company.

Likely this coming Friday, [Facebook](#) will be putting out on the market in its initial public offering a huge 337 million shares, with the price expected to be between \$28 and \$35 a share.

At the midpoint of that range, the social network will be raising \$10.6 billion from investors.

First in line are those with the big resources and long-term investment plans, such as [insurance companies](#), [pension funds](#) and [mutual funds](#). They will get the lion's share of the handout.

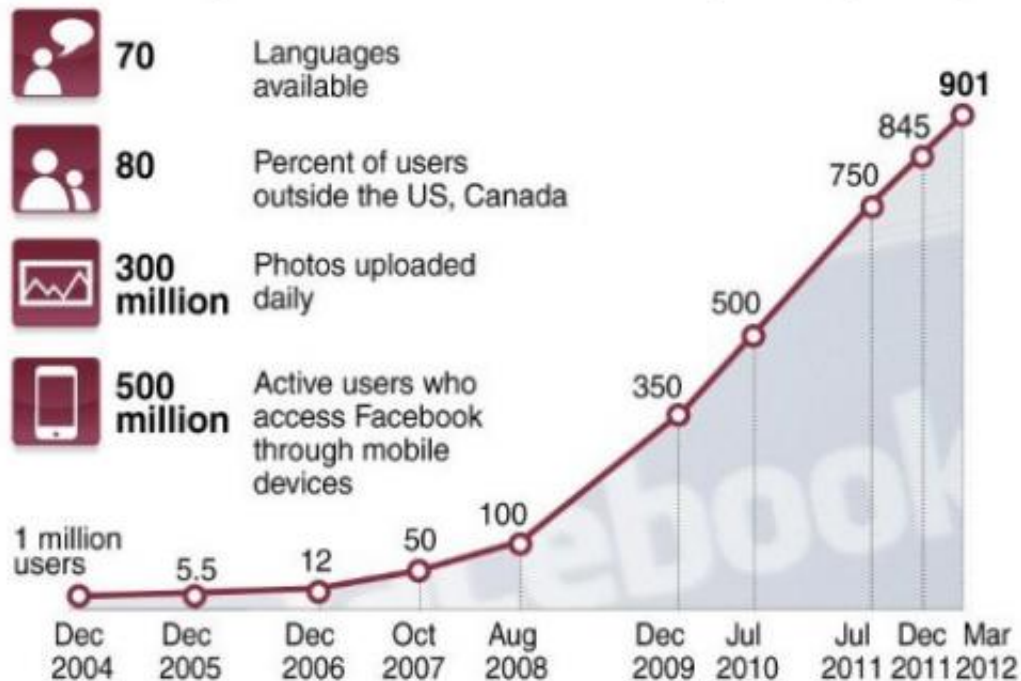
There will be a good chunk available to small investors -- though "small" is a relative term.

Retail brokers say requests for the shares are high, and they will mostly divvy up what they receive between their best customers.

At Fidelity, one of the largest US brokers, hot IPOs normally go to clients with half a million dollars in their accounts, or those who make at least 36 trades a year, according to a company agent.

The rise of an Internet giant

Facebook is expected to debut on the tech-heavy Nasdaq on May 18



Source: Facebook

AFP

Graphic charting the rising number of Facebook users.

But depending on how valued you are, a \$250,000 account could be enough, she said.

"It's definitely not a first-come, first-serve basis," she told AFP, not wanting to be identified.

And even then, the broker won't promise even a minimum 100-share allocation.

"You could get the full amount (you request), or part of it, or none."

At TD Ameritrade, the hurdles are an account with at least \$250,000, or 30 trades in the past three months.

In addition, said spokeswoman Beth Evegan, the client's general investment objectives and financial status can be considered. Brokers generally do not want someone like a pensioner who could be hit hard by a trading loss to trade in risky stocks.

Even then, Evegan added: "We are expecting to receive an allocation... We do not know how many shares we will receive."

Other retail brokers have similar requirements for their clients. But for most, there is another catch: small investors who win the allocation lottery might find themselves unable to take advantage of an opening day spike in the [share](#) price.

Many retail brokers insist their clients hold onto the IPO shares for a fixed period rather than sell into a first-day rally. Fidelity sets a 15-day rule; for some, it is 30 days.

Analyst Rocco Pendola of The Street had words of encouragement for the little guys who cannot get a piece of the action.

"Let's face it: You have little chance of getting Facebook shares in the IPO," he wrote.

On the other hand, "You'll have plenty of time to hop on the bandwagon. This is a long-term, highly-sustainable and scalable business; it's a myth that Facebook is a fad or run by some green punk."

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