Wall Street girds for Facebook frenzy

May 17 2012, by Charlotte Raab

Wall Street and investors around the globe girded for a frenzy for Facebook shares with investors hungry for a piece of share offering expected to be launched on Friday.

Wall Street and investors around the globe girded for a frenzy for Facebook shares with investors hungry for a piece of the social network's share offering expected to be launched on Friday.

In the past few days, Facebook boosted the estimated price for the shares, placing a value on the hugely popular site at around a whopping $100 billion, and added to the number of shares being offered from insiders.

With a definitive price still not set, Facebook estimated shares to be offered at between $34 to $38 per share, translating to a value of $93-104 billion for the company.

The Wall Street Journal said Facebook -- which has 900 million members worldwide -- was nearing a final offering price of $38 per share, which would value the company at $104 billion, the highest ever for a US firm at an IPO.

London bookmakers were anticipating a stampede for shares. At the betting firm Spreadex, clients have been speculating that shares could rise above $56 after their first day.

"Our market on the percentage change in the price of Facebook shares after the first day's trading has seen appetite from clients in buying on the price as the big day approaches, moving the spread up from 30-35 percent earlier in the week to 35-40 percent," Spreadex spokesman Andy MacKenzie said.

Spreadex noted that among other tech IPOs, LinkedIn rose 109 percent the first day while Groupon surged 31 percent. Social game maker Zygna lost ground on its first day.

Facebook CEO Mark Zuckerberg, pictured in March 2012, will hold 55.8 percent of the voting power, down slightly from an estimated 57.3 percent. The 28-year-old controls the firm through a dual class stock structure and certain shares that give him a "proxy" for voting.

But MacKenzie noted that "we have had some customers holding back based on their belief that Facebook shares may well fall in value after the furor over the initial launch has died down."

Lou Kerner, founder of The Social Internet Fund, said he expects a strong response.

"US institutional demand has been good, the retail and global demand has been overwhelming," he said.

London-based Hargreaves Lansdown Stockbrokers said Facebook may have a hard time living up to lofty expectations but pointed out that it is "a relatively developed company which can display 'real' income and profit."

"There are extremely high expectations for the company's prospects and perhaps on that basis it deserves the punchy valuation it has been given, the brokerage said in a note to clients.

"It is then down to the company to convince investors and analysts that the confidence was well founded and that Facebook will be mentioned in the same breath as the likes of Apple and Google in the years to come."

The excitement about social networks was highlighted separately when Pinterest, a bulletin-board style sharing website, attracted a $100 million investment led by Japanese online giant Rakuten, with existing investors Andreessen Horowitz, Bessemer Venture Partners, and FirstMark Capital, and "a number of angel investors."

Under the share plan, Facebook co-founder Mark Zuckerberg will hold 55.8 percent of the voting power, down slightly from an estimated 57.3 percent. The 28-year-old controls the firm through a dual class stock structure and certain shares that give him a "proxy" for voting.

The net proceeds to the company were estimated at $6.4 billion, the filing with regulators said.

At $38 per share, the IPO would raise $18.4 billion, one of the largest on record.

According to the Wall Street Journal, the rise in shares announced this week comes from a number of insiders cashing out bigger portions of their stake, including Goldman Sachs, the equity firm Tiger Global Management and Peter Thiel, one of the first Facebook investors.

The Journal said 57 percent of shares will be from insiders, which is an unusually high percentage. Under Wall Street rules, these investors would have to wait six months to sell any shares not offered at the IPO.

Citation: Wall Street girds for Facebook frenzy (2012, May 17) retrieved 21 May 2024 from https://phys.org/news/2012-05-wall-street-girds-facebook-frenzy.html