

# Facebook slides as underwriters give mixed ratings

June 28 2012, by BARBARA ORTUTAY

---

(AP) — The Wall Street analysts who know Facebook best are giving the company's stock a mixed review. Think: like, not love.

A flood of analyst reports from 33 banks gave Facebook's [stock](#) a mix of "Neutral" and "Buy" ratings on Wednesday. And there was at least one review that equated to a "Sell" rating.

It marked the end of the 40-day quiet period following Facebook's initial public offering. Analysts at banks that led the IPO were finally allowed to give public opinions on the stock, offering the first glimpse of what the IPO's underwriters really think about Facebook.

Facebook's much-ballyhooed IPO landed with a thud on May 18, with the stock closing just 23 cents above its \$38 IPO price. It hasn't fared much better since. On Wednesday, the stock fell 87 cents, or 2.6 percent, to close at \$32.23. That's 15 percent below the IPO price.

Morgan Stanley, the lead bank in the IPO, gave a \$38 [target price](#) for Facebook's stock over the next 12 months. That's the same as the IPO price Facebook has failed to match since its first day of trading. The analyst, Scott Devitt, said Facebook has long-term opportunities in mobile advertising despite recent concerns.

"The mobile ad market remains in its infancy — while we believe Facebook will lead the market in mobile ad targeting, agency and brand transitions to mobile may take longer than expected," Devitt wrote.

Facebook derives the bulk of its revenue from advertising on its website, and while it has been testing [mobile ad](#) products, it warned before its IPO that its mobile users are growing at a faster rate than the revenue that it's making from them. The disclosure spooked some investors ahead of the company's initial public offering last month, and likely contributed to the stock's lukewarm reception.

William Blair's Ralph Schackart also gave the stock an "Outperform" rating, and said Facebook is "becoming a daily utility," making it difficult for people to switch to a different platform.

"While virtual, the social interaction that users engage in via updates, status changes, likes, shares, and playlists, among others, builds long-term relationships and audiences," Schackart wrote.

Mark S. Mahaney of Citi Investment Research also called Facebook an Internet utility, comparing it with the likes of Amazon.com Inc. and Google Inc. Facebook, he noted, will soon reach 1 billion monthly users and 600 million daily average users.

"By any comparison, these are startlingly impressive metrics," wrote Mahaney in a note to investors. "Facebook could, in fact, become the largest (Internet) platform one day in terms of revenue and profits, given the size and engagement of its user base and its high-margin business model."

Nonetheless, Mahaney put a "Neutral" rating on Facebook's stock, calling the company's dual-class stock structure one of the biggest investment risks. Facebook, like several other technology and media companies, has two classes of shares in order to keep voting control in the hands of its executives and early employees. CEO Mark Zuckerberg controls the company through more than half of its voting stock.

Credit Suisse found "a lot to 'like'" with Facebook, but gave its stock a "Neutral" rating and a target price of \$34. Analyst Spencer Wang said that while Facebook is in a good position to capitalize on the growth of social media, its stock price already reflects a "fair amount" of this growth, limiting his enthusiasm.

Goldman Sachs, which owns a small stake in Facebook and was one of the leading underwriters of its IPO, gave the social network a "Buy" rating. Analyst Heather Bellini said that the company is poised to dominate the next phase of the Internet's evolution, "and as such will maintain industry high growth rates throughout next decade."

A rare "Underperform" rating came from Daniel Salmon at BMO Capital Markets. He gave the stock a \$25 target price and said that his research shows "mixed" opinions on the effectiveness of advertising on Facebook.

Copyright 2012 The Associated Press. All rights reserved. This material may not be published, broadcast, rewritten or redistributed.

Citation: Facebook slides as underwriters give mixed ratings (2012, June 28) retrieved 19 April 2024 from [https://phys.org/news/2012-06-facebook-underwriters\\_1.html](https://phys.org/news/2012-06-facebook-underwriters_1.html)

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.