

Facebook focuses on business, not struggling stock

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Even as their company has lost nearly half its market value, Facebook executives have had little to say in public about the stock. Instead, they've talked up new ad programs and launched new features, including a beefed-up version of Facebook's iPhone service, aimed at boosting their fledgling mobile business.

But [Facebook's stock market](#) struggles pose looming challenges, analysts warn. Talented employees might start to look elsewhere, after watching their own shares lose millions of dollars in value. And some critics have questioned CEO [Mark Zuckerberg's](#) leadership.

"Stay focused and keep shipping" is the mantra that Zuckerberg, the company's founder and hoodie-wearing chief executive, has repeated to employees since his former dorm-room startup began selling stock to the public in the spring.

At \$38 a share, the highly anticipated [initial public offering](#) valued the company in May at a stunning \$104 billion, but the stock began a steep slide soon after. It closed Wednesday at \$19.10 a share.

Although he has offered some reassurances to Facebook workers, Zuckerberg has kept a relatively low profile since the IPO. That has frustrated some investors and prompted critics to ask if the 28-year-old Harvard University dropout is qualified to lead a public company.

"There's a growing sense that Mark Zuckerberg, talented though he may

be, may be feeling in-over-his-hoodie as CEO of a multibillion-dollar company," said Sam Hamadeh of the New York investment research firm PrivCo.

Zuckerberg's job seems secure because he controls a majority of Facebook's voting shares. A Facebook spokesman declined to comment for this report. But company sources say [top executives](#) take investors' concerns seriously, while concentrating on building their business.

When pressed on a conference call after the company's last earnings report, [Chief Financial Officer](#) David Ebersman told analysts: "Obviously we're disappointed about how the stock has traded. But I think the important thing for us is to stay focused on the fact that we're the same company now as we were before."

Some experts say it's not surprising Zuckerberg would keep his head down while the company struggles to deliver on the exalted potential that early boosters saw in Facebook. Analysts say one of its biggest challenges is the mobile platform, which is drawing users faster than its desktop interface, while producing far less advertising revenue.

With nearly 1 billion active users around the globe, Facebook reported \$1.2 billion in revenue last quarter and more than \$10 billion in cash on hand. Its revenue growth is slowing, however, while the company has raised spending at a faster rate.

The company is investing in new mobile initiatives for future growth, rather than focusing on short-term profit, Ebersman said last month. But that's not enough to soothe investors who'd like to see better earnings in the next quarter.

"If the guidance you can give investors would actually shore up their confidence, that's probably something you want to do. But sometimes it

may be better to say as little as possible," said Simon Rodan, a management professor at San Jose State.

That may explain why Facebook made no public statements about the recent expiration of a 90-day "lockup" restriction that barred some early investors from selling their stock, Rodan suggested. Analysts say Silicon Valley financier Peter Thiel's subsequent move to sell more than 20 million shares only made the stock look worse, as shares fell below \$19 for the first time.

The company faces a bigger milestone in the fall, when another lockup is scheduled to expire and 1.2 billion shares of stock, held by Facebook employees and other early investors, become eligible for sale. If those stockholders decide to sell, analysts warn they could flood the market and drive the price down more.

The November lockup expiration could also lead to an exodus of valuable talent. Experts say it's not uncommon for some workers at newly public companies to cash in their stock and move on to the next startup. Based on the company's filings, PrivCo's Hamadeh estimates Facebook employees hold about 450 million shares that will be eligible for sale in November.

Those employees have seen more than \$8 billion in wealth wiped out since the IPO, as their shares have lost almost half their value. While individual holdings vary widely, that represents an average loss of \$2 million on paper for each of Facebook's 4,000 employees.

"That's always a concern," said Brandon Cherry of the Hay Group, a human resources consulting firm that advises companies in Silicon Valley's competitive labor market. In addition to rival startups looking for talented engineers, he said, bigger companies like Google "may have an opportunity to pull some people out of Facebook."

Even so, most Facebook employees are not facing an issue that has surfaced at other tech companies, which grant options to buy stock at a certain price. With options, the employee only makes money if the stock goes higher. Most of Facebook's employee shares were granted outright, so they still have value at the market price, even if that has declined sharply.

"They're going to have some people leave. But I'd be really surprised to see mass defections of employees," said Stanford University business professor Paul Oyer, an expert on labor economics. "The company is still doing well."

In recent weeks, Zuckerberg has told workers that outsiders may not know or understand Facebook's plans. The sliding [stock](#) price is painful for some employees, Zuckerberg acknowledged at a companywide meeting, according to The Wall Street Journal, but he urged workers not to obsess over it.

Investors, however, are still worried about Facebook's challenges, said Rick Summer, a financial analyst at Morningstar. The company may be building its business, he added, "but I don't think that message has been communicated well to the investing public."

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