

Facebook jumps on biggest lock-up expiration day

November 14 2012, by Barbara Ortutay

(AP)—Facebook's stock is up more than 7 percent despite expectations that it would fall because more than 850 million additional shares in the company are being freed up for sale.

Shares of Facebook Inc. are up \$1.48, or 7.5 percent, at \$21.34. Facebook went public in May at \$38 in a much-hyped initial public offering of stock that turned out to be a letdown for investors. Its stock price hasn't hit \$38 since.

Wednesday marked the expiration of Facebook's biggest lock-up period, which is a time following an IPO that prevents insiders from selling stock. In all, 773 million shares became eligible for sale, along with 31 million restricted stock units. And about 48 million shares held by former Facebook employees also became eligible for sale, bringing the total to 852 million. These shares would be on top of what's already been available for trading, increasing the supply and potentially lowering the overall price.

Lock-ups are common after initial public stock offerings and are designed to prevent a stock from experiencing the kind of volatility that might occur if too many shareholders decide to sell all at once.

The previous lock-up expired on Oct. 29, when U.S. stock markets were closed because of Superstorm Sandy. Facebook's stock fell nearly 4 percent two days later, when the stock market reopened.

Cantor Fitzgerald analyst Youssef Squali believes a potential increase in the capital gains tax on Jan. 1, when Bush-era tax cuts would expire unless Congress acts, could pressure Facebook's stock. That said, he called the Menlo Park, Calif.-based social media company a "long-term winner."

Facebook's stock saw its biggest one-day gain on Oct. 24, the day after the company reported stronger-than-expected third-quarter results and detailed for the first time how much money it made from mobile ads. The stock, which added 19 percent that day, closed at \$23.23. Even with Wednesday's gain, it is still 8 percent below that price.

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