

Facebook 4Q results surpass expectations

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In this Tuesday, Jan. 15, 2013, file photo, Facebook CEO Mark Zuckerberg speaks at Facebook headquarters in Menlo Park, Calif. Facebook reports fourth-quarter earnings on Wednesday, Jan. 30, 2013. (AP Photo/Jeff Chiu, File)

Facebook delivered fourth-quarter results above Wall Street's expectations on Wednesday and sought to show that it has finally transformed into a "mobile company."

Its stock price fluctuated sharply in after-hours trading, as investors weighed lower net income and growing expenses against an increasing

user base and higher advertising revenue.

"Everything was slightly better than expected," said Wedbush Securities analyst Michael Pachter. "I don't see anything here that would make me want to sell the stock."

Facebook's stock fell 68 cents, or 2.2 percent to \$30.56 in after-hours trading after the results were released.

"There were no major red flags," said Raymond James analyst Aaron Kessler. "I think expectations may have even just a little bit higher" than analyst estimates indicated.

Facebook Inc., the world's largest social media company, earned \$64 million, or 3 cents per share, in the October-December period. That's down from \$360 million, or 14 cents per share, a year earlier when it was still a privately held company.

Revenue rose 40 percent to \$1.59 billion from \$1.13 billion.

Excluding special items, mainly related to stock compensation expenses, Menlo Park, California-based Facebook earned 17 cents per share in the latest quarter.

Analysts polled by FactSet expected lower adjusted earnings of 15 cents per share on revenue of \$1.51 billion.

"We enter 2013 with good momentum and will continue to invest to achieve our mission and become a stronger, more valuable company," said CEO Mark Zuckerberg in a statement.

Facebook's biggest challenge lies in mobile devices. Most Facebook users access it using a mobile phone or tablet computer, yet the 9-year-

old company only started showing mobile ads about 9 months ago.

"I think more people are starting to understand mobile is a great opportunity for us," Zuckerberg told analysts in a conference call. " It allows us to reach more people, we have more engagement from the people we reach and I think we will be able to make more money for each minute people spend with us on ... mobile devices."

Facebook has been trying to squeeze in more mobile advertising without alienating users who are more interested in conversing with their friends than being subjected to a marketing blitz. The company appears to be striking the right balance so far, based on the number of people still regularly using the mobile apps, Kessler said.

Facebook said it generated 23 percent, or \$306 million, of advertising revenue from mobile, up from 14 percent in the third quarter, the first time it disclosed such information.

While Facebook's accelerated revenue growth is a positive sign, there's still a feeling that the company could be doing even more to mine revenue from its mobile audience, Kessler said. He expected Facebook's mobile ad revenue to rise to 25 percent of the company's ad sales or about \$350 million in the fourth quarter.

Facebook's monthly user base grew 25 percent from a year earlier to 1.06 billion accounts. About 680 million of them access Facebook using a mobile device each month.

As of the stock market's close on Wednesday, Facebook's stock was up 60 percent since the company's third-quarter earnings report came out in October. But it still hasn't hit its initial public offering price of \$38.

The May 18 IPO was by far the biggest one for an Internet company

since Google's in 2004, but the excitement quickly deflated.

Facebook's stock briefly declined after Wednesday's results came out. Pachter suspects investors may have been worried Facebook's expenses are starting to outstrip its revenue growth. That was the case in the fourth quarter when the company's costs, excluding employee stock compensation, soared 67 percent from the previous year to \$849 million.

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