

Facebook's status among investors goes from dud to darling

September 27 2013, by Jessica Guynn



Facebook Inc. has just one question for Wall Street: How do you like me now?

Shares of the social network, which had fallen from favor after its disastrous [public debut](#) last year, hit new highs this week, even as U.S. stocks have slumped.

In recent weeks, Facebook shares have zipped past the [initial public offering](#) price of \$38. Now they are flirting with \$50 after another in a wave of buy recommendations from analysts and a report that the company may finally have gotten its foot in the door in China.

With nearly 1.2 billion users, Facebook has begun to prove that its ads on smartphones and tablets are effective, analysts say. And investors are betting Facebook can wring even more money from ads on [mobile devices](#).

They are also feeling optimistic about potential new sources of revenue such as [video ads](#) and ads on Facebook's photo-sharing service Instagram, expected to launch in coming months.

Facebook shares, which have more than doubled in the past 52 weeks, rose \$1.01, or 2.1 percent, to \$49.46 on Wednesday. Shares had hit an all-time high of \$49.66 during Tuesday trading.

Facebook has seen a torrent of analysts upgrading their recommendations since posting big gains on higher revenue from [mobile ads](#).

After staging the largest technology IPO on record, the stock lost more than half its value last year, falling as low as \$17.55. It did not reach \$38 again until last month.

Citigroup's Mark May is the latest analyst to rethink prospects for Facebook after its surprisingly strong results in July.

May upgraded his rating to "buy" from "neutral" on Tuesday, saying he expects more growth from Facebook, especially in [mobile advertising](#) revenue. He raised his [price target](#) to \$55 from \$32. Among the highlights of the report: May expects Facebook shares to be added to the Standard & Poor's 500 index by year's end. That could prompt more fund managers who track the index to buy the [stock](#).

In another boost for Facebook, websites banned in China may be accessible in a free-trade zone that is being set up in Shanghai, according to a report in the South China Morning Post.

China's first free-trade zone will allow the access in a rare exception to strict government control of the Internet, the Hong Kong newspaper reported.

The report, citing unnamed government sources, said authorities would also welcome bids from foreign telecommunications firms for licenses to offer Internet services in the trade zone, which was established in July.

China's ruling Community Party censors the Internet, blocking access to websites. Facebook and Twitter were blocked by Beijing in 2009 after deadly riots in the western province of Xinjiang.

"Bosses at social media networks and major media companies whose websites are banned on the mainland have lobbied Beijing for years to lift these bans," the report said.

Sterne Agee analyst Arvind Bhatia said Tuesday that access to the free-trade zone could give Facebook the foothold it has been seeking in China.

"While the lifting of the ban on Facebook in China is currently limited only to the Shanghai Free Trade Zone, it is an important first step," Bhatia wrote in a research report. "Over time, if the Chinese government were to open up access to a broader area in the future, companies such as Facebook would be better positioned."

While in China this month, Facebook Chief Operating Officer Sheryl Sandberg met with the government agency that oversees control of the Internet in that nation.

"As is typical when Sheryl is traveling internationally, she met with national government officials to discuss how Facebook is being used by local companies to market themselves to the world, to build businesses and to create jobs - China is no exception," the Menlo Park, Calif., company said.

At the time, analysts said the meeting reflected the growing importance of the Chinese economy and Chinese online advertising dollars, not any

movement toward lifting the ban on Facebook and enabling it to reach China's vast online population.

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