

Facebook shares leap with profit jump (Update)

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In this Thursday, April 4, 2013, photo, Michael Goodwin, Senior Partner for HTC, displays an HTC First cell phone with the new Facebook interface at Facebook headquarters in Menlo Park, Calif. Facebook reports quarterly financial results on Wednesday, Jan. 29, 2014. (AP Photo/Marcio Jose Sanchez, File)

Facebook said Wednesday that profit soared in 2013 on the back of sizzling mobile ad revenue as the social network's membership swelled.

The world's biggest social network reported that profit in the fourth quarter jumped eightfold from a year earlier to \$523 million, raising its net income for the year to \$1.5 billion.

Revenues in the past quarter rose to \$2.58 billion and \$7.87 billion for the year.

Facebook shares rallied more than 12 percent in after-hours trading to a new high of \$60.05 after release of the earnings figures.

"It was a great end to the year for Facebook," said Facebook founder and chief executive Mark Zuckerberg.

"We're looking forward to our next decade, and to helping connect the rest of the world."

The Menlo Park, California-based company will mark its 10th birthday on February 4.

Facebook said the number of monthly active users rose 16 percent from a year ago to 1.23 billion, with 945 million using mobile devices.

Revenue from advertising surged to \$2.34 billion in the quarter, up 76 percent over the past year. Mobile advertising revenue represented some 53 percent of that figure, an increase from 23 percent in the fourth quarter of 2012.

The surge in revenue from members accessing Facebook from smartphones or tablet computers served as a validation of sorts for Zuckerberg and his team.

Facebook made a dismal stock market debut in May 2012, with shares plunging due to fears the social network wouldn't be able to make money

from members shunning desktop computers for mobile devices.

Since then, however, Facebook has lifted its profits, and boosted the mobile segment of ad revenues.

A recent Pew Research Center survey found 73 percent of Americans over age 18 on the Internet use at least one social network—or about 63 percent of the total adult population.

Facebook is the preferred network, used by 71 percent of online adults, or 57 percent of all American adults, according to Pew researchers.

"Facebook once again grew not just its total number of users, but the percentage of those users who visit the site each day," said Forrester analyst Nate Elliott.

"That's an impressive feat for a site of this size, and an important statement about the health of its user base."

Zuckerberg and other Facebook executives sidestepped a question on an earnings call with analysts about whether the social network was seeing a drop in use by teenagers.

Some analysts have expressed fears that young people are succumbing to "Facebook fatigue" and scaling back use, if not dropping out all together.

"We don't believe young users are fleeing the site, and it appears that Facebook still dominates young people's social usage, but the company's silence on the matter won't have calmed any nerves," Elliott said.

And while Facebook touted increased revenue as a sign of happy advertisers, Forrester research indicates they are more satisfied with email and search marketing or even standard online ad banners.

"Facebook's growing ad revenues merely indicate that marketers are chasing the site's huge user base, not that the site is delivering the results marketers want," Elliot said.

Zuckerberg stressed that Facebook was increasing the size of its community and the level of engagement at the social network.

Facebook is positioned to focus on long-range goals of "letting you share any content you want with any person you want," Zuckerberg said.

That strategy will include spinning features of Facebook into dedicated mobile applications like Messenger for sharing things like video, games or music.

"We want to build a handful of great experiences separate from what people think Facebook is today," Zuckerberg said.

Facebook said that it was looking to artificial intelligence technology to enable its platform to understand the meaning of pictures, posts and more so it can ramp up how well it connects people with what their interests.

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