

Facebook shares dive as social network eyes future

October 29 2014, by Glenn Chapman

Facebook Tuesday reported its quarterly profit nearly doubled but saw its stock pounded after outlining a plan to invest heavily in the future instead of revelling in short-term riches.

Facebook shares, which had been near record levels in recent days, dropped more than eight percent to \$74.15 in after-market trades.

The drop followed an earnings call in which executives said they will pour money into talent and technologies with the potential to pay off handsomely down the road.

"Their commentary tanked the stock," said independent analyst Rob Enderle of Enderle Group in Silicon Valley.

"They gave the impression that regardless of how things are going, costs are going to get out of hand; I think that is what the market walked away with."

Looking a decade out, Facebook founder and chief Mark Zuckerberg envisioned hitting milestones regarding machine intelligence and extending Internet access to billions more people on the planet.

"We are going to continue preparing for the future by investing aggressively, connecting everyone, understanding the world, and building the next-generation in computing platforms," Zuckerberg said.

"We have a long journey ahead."

Mobile ad money surge

Facebook shares sank despite the social network besting earnings expectations, boasting a gain in users and a surge in mobile ad revenue.

Facebook said it made \$802 million in profit for shareholders on revenue of \$3.2 billion in the quarter that ended on September 30, while the number of monthly active users grew to 1.35 billion worldwide.

The number of people using [mobile devices](#) to connect with Facebook rose to about 1.12 billion in September, a 29 percent increase from the same month a year earlier, according to the earnings report.

Facebook took in \$2.96 billion from advertising during the quarter, with marketing messages served up on mobile devices becoming more important.

Mobile represented 66 percent of advertising revenue for the third quarter of 2014, up from 49 percent a year earlier.

Payments and other fees generated \$246 million, a 13 percent increase from the same quarter last year.

Facebook has made a priority of adapting to lifestyles increasingly centered on getting online using smartphones or tablets, an adjustment deemed by analysts as critical for Internet firms that want to remain popular.

Year for investment

Facebook has also been seeking to broaden its offerings, unveiling an application that lets people chat anonymously in virtual "rooms," evoking the chat rooms from the early days of the Internet.

It is also testing a feature that lets users of the leading social network make purchases by simply pressing an on-screen "Buy" button.

Facebook completed its multibillion-dollar deal for mobile messaging application WhatsApp earlier this month.

"One of the thing happening on mobile is there is an increased focus for apps to do one thing really well," Zuckerberg said during an earnings call.

"In order to best serve people, you need to build multiple stand-alone apps; we are going to do more of that in the future."

Facebook executives on the call told analysts that 2015 will be a "significant investment year," with an emphasis on acquiring talent and working toward long term goals.

Objectives Zuckerberg outlined included ramping up users of Instagram, WhatsApp, and Messenger application to a billion or more each, so they become "important businesses in their own right" during the next five years.

"This may sound silly to say, but for us products don't get that interesting to turn into business until we have about a billion people using them," Zuckerberg said.

Near-term priorities at Facebook include sharing video and news at the social network, along with being a place for public figures to distribute content.

When asked about his hopes in China, where he wowed a university audience by fielding questions in Mandarin during a visit last week, Zuckerberg said Facebook is taking a long-term approach to a valuable market that has frustrated many US technology firms.

"We are already doing more in China on the business side than a lot of folks think about," Zuckerberg said.

"Our approach to China and every country is very long term; we are going to be here for decades and we want to create good relationships with these countries."

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Citation: Facebook shares dive as social network eyes future (2014, October 29) retrieved 25 April 2024 from <https://phys.org/news/2014-10-facebook-social-network-eyes-future.html>

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