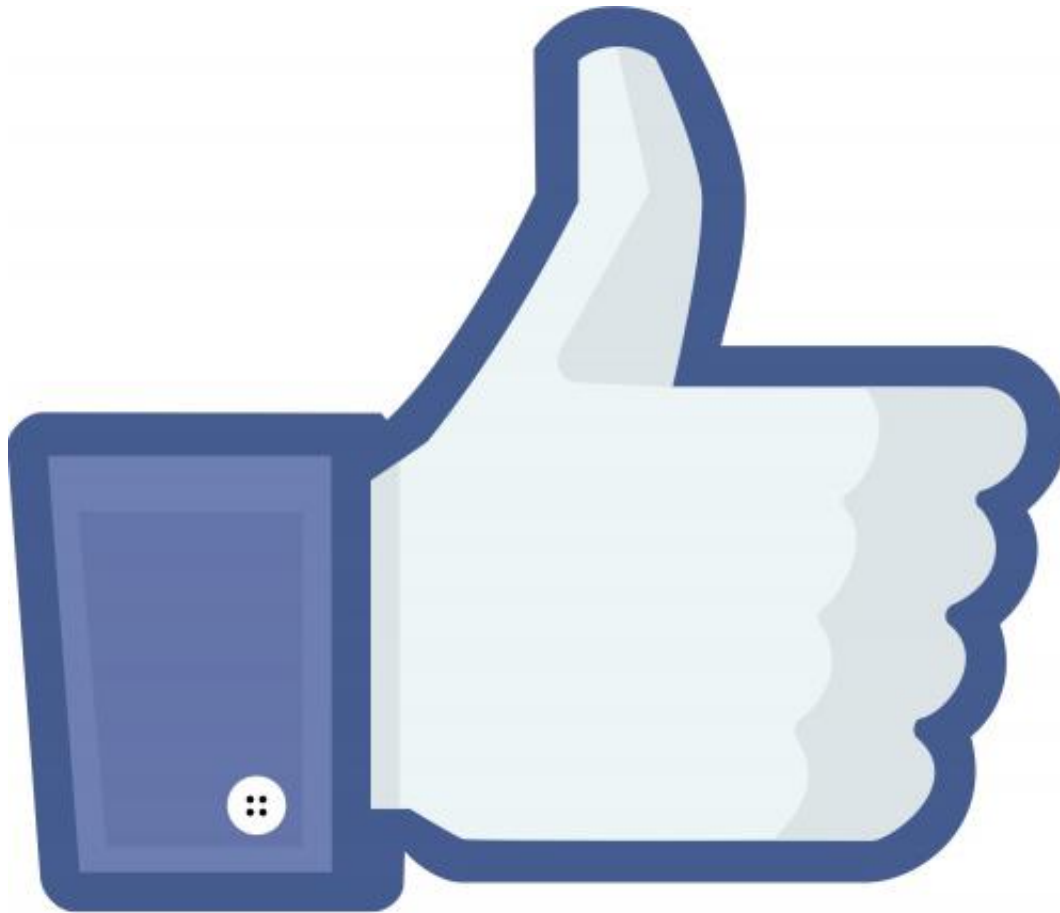


Facebook's status update: Profit, revenue beat expectations

January 28 2015, by Barbara Ortutay



For the seventh quarter in a row Facebook beat profit and revenue forecasts, continuing to win more mobile advertising revenue as most

users shift to using the site on smartphones and other portable devices.

The world's biggest online social network said Wednesday that advertising revenue jumped 53 percent to \$3.59 billion for the fourth quarter—with mobile ad revenue representing 69 percent of the total. That percentage has grown steadily in each quarter of this year. Facebook's massive user base also continued to climb. It had 1.39 billion monthly active users at the end of the year, up 13 percent from a year earlier. Daily users totaled 890 million, up 18 percent. Mobile monthly active users jumped 26 percent to 1.19 billion.

"The bigger Facebook gets, it cements its position as one of the most dominant players in digital media, and it has the size and reach to change the rules of [digital advertising](#) and convince others to play by them," says Debra Aho Williamson, an analyst at research firm eMarketer. Facebook, which turns 11 years old this year, began offering mobile ads in 2012, the year its stock began publicly trading. More recently, Facebook expanded into video ads, which are very lucrative, and last year it re-launched Atlas, a tool for marketers to better target people across "devices, platforms and publishers" and to measure how well the ads work.

The company is still a long way from catching up to rival Google Inc. in the digital advertising market, though. In 2014, Facebook had a nearly 8 percent share of the market compared with Google's 31 percent according to eMarketer. That's an increase for Facebook and a slight decrease for Google from 2013.

After paying preferred dividends Facebook earned \$696 million, or 25 cents per share, in the October-December quarter, up from \$520 million, or 20 cents per share, in the same period a year earlier. Adjusted earnings totaled 54 cents per share. Analysts, on average, were expecting adjusted earnings of 48 cents per share, according to FactSet.

Revenue grew to \$3.85 billion from \$2.59 billion a year earlier, also topping analysts' \$3.78 billion forecast. Sterne Agee analyst Arvind Bhatia says the company has "made it clear" that it expects revenue growth rates to slow due to tough comparisons, but added that this "should not be a big concern, especially for long-term investors."

Facebook, which owns the popular photo-sharing app Instagram and the messaging service WhatsApp, has launched stand-alone mobile apps of its own, in a move that helps it take up more real estate on people's phones. Besides its Messenger app, though, these apps have seen limited success. CEO Mark Zuckerberg has promised that Facebook will continue investing in new areas that might not pay off for a long time. This includes its purchase of Oculus, a small company that makes virtual reality goggles, last year. The company's ambitious project, Internet.org, meanwhile, aims to connect everyone on Earth to the Internet.

Zuckerberg said recently that it's a misconception that Facebook does everything for business reasons.

"I can promise you that if what I cared about was making more money, I would take the engineers and the people who are working on Internet.org and spreading connectivity around the world and have them go work on our ads product," he told an audience recently in Bogota, Colombia.

Case in point, costs and expenses for the fourth quarter rose 87 percent to \$2.72 billion from a year earlier.

Shares of Menlo Park, California-based Facebook are down less than 2 percent year-to-date. The stock closed up 49 cents at \$76.27 before the report and slid about 9 cents after the bell. Over the past 12 months, the stock has gained about 39 percent, compared with a 13 percent increase for the Standard & Poor's 500 index.

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