

Facebook skids on growth worries after blowout quarter

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Facebook said it can no longer keep boosting the number of ads delivered without harming the user experience

Facebook shares tumbled Thursday after the huge social network delivered a blockbuster earnings report but warned that its stunning growth pace was set to slow.

In early Wall Street trade, Facebook shares slid 5.2 percent to \$120.54.

Although the California group reported a 166 percent surge in profits to \$2.4 billion and revenue growth of more than 50 percent to \$7 billion, it also said it was unlikely to sustain that kind of growth in the near future.

The main reason for the concern was comments from Facebook that it can no longer keep boosting the number of ads delivered without harming the user experience.

Facebook also said it planned to invest heavily in engineers and data centers for long-term goals.

While Facebook has become a dominant player in online advertising and especially strong in mobile, it remains unclear if the group can keep momentum as it shifts into new areas such as virtual reality.

"If there's a weak spot at Facebook, it's making money from anything that's not ads. Other than that, everything else going gangbusters," Jan Dawson at Jackdaw Research said in a tweet.

Facebook chief executive Mark Zuckerberg has laid out a long-term vision for the company that includes virtual reality, artificial intelligence, and even providing internet service to remote areas using self-flying drones.



Facebook's quarterly net profits, revenues, share price and active users

But advertising accounted for more than 97 percent of Facebook revenues in the quarter. Mobile accounted for about 84 percent of the ad money.

Still, many analysts remained upbeat on Facebook, saying it is still showing robust growth as it invests in new segments.

Mark Mahaney at RBC Capital Markets said the selloff appeared "overdone."

"We believe Facebook still has several new large revenue growth drivers," he said in a research note, citing its Instagram photo-sharing network and monetization of new services on its Messenger application.

Michael Graham at Canaccord Genuity said meanwhile that Facebook has "several consumer and ad innovations that should keep advertiser demand high."

"We believe Facebook's operating momentum, high growth, and reasonable valuation continue to suggest it should be a core tech holding," Graham said in a note.

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