

# Privacy fine set-aside dents Facebook's profit

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Facebook, whose CEO Mark Zuckerberg is seen here, said it set aside some \$3 billion for an expected settlement with US regulators over its handlings of private user data

Facebook said Wednesday its profit took a hit from setting aside billions of dollars for an anticipated fine from US regulators, in a quarterly report that sent shares higher.

The leading social network logged a profit of \$2.4 billion—down 51 percent from a year earlier—on revenue that climbed 26 percent to \$15.1 billion in the first three months of this year.

The number of monthly active users of Facebook at the end of March was 2.38 billion, up eight percent from a year ago.

Facebook estimated that it will be hit with a fine of \$3 billion to \$5 billion by the US Federal Trade Commission for "user data practices," and factored that into its earnings report.

"The matter remains unresolved, and there can be no assurance as to the timing or the terms of any final outcome," the California-based company said in the release.

Facebook shares rallied more than eight percent in after-hours trade following the results.

Profits would have topped Wall Street forecasts if not for the money put aside for the expected FTC fine.

"We had a good quarter and our business and community continue to grow," Facebook chief executive and co-founder Mark Zuckerberg said in a statement.

"We are focused on building out our privacy-focused vision for the future of social networking, and working collaboratively to address important issues around the internet."

The FTC announced last year it was reopening its investigation into Facebook for potential violations of a 2011 settlement over privacy practices.

## 'Solid' results

Over the past year, the social network has come under fire following revelations on the hijacking of personal data of tens of millions of users by Cambridge Analytica, a consultancy working for Donald Trump's 2016 campaign.

A series of other revelations showed Facebook may have also shared more private data with business partners and advertisers than it had reported, and may have exposed some personal information that should have been secured.

At the same time, Facebook has been hiring thousands of additional employees to deal with issues such as hate speech, incitement to violence and manipulation aimed at voters.

Facebook said its employee count was 37,773 as of March 31, an increase of 36 percent over the past year.

Despite the controversies, some 2.7 billion people use at least one of the "family" of the company's applications including the core Facebook network, Instagram, and messaging applications WhatsApp and Messenger.

The latest results showed "solid performance in revenue and user growth," said analyst Debra Aho Williamson of the research firm eMarketer.

Williamson said advertisers are staying with Facebook despite controversies that have plagued the social networking giant.

"While marketers may say privately that they do worry about Facebook's problems with fake news, election meddling, privacy and more, they

worry more about their own financial health, and Facebook is still a major partner in that regard," Williamson said.

She advised advertisers to view the FTC fine revelation as a significant development that could bring about changes affecting the way they can use the social network for marketing.

## **Digital living rooms**

During an earnings call, Zuckerberg stressed efforts to make the social network a place for sharing privately in small groups as well as for connecting publicly with vast numbers of people.

"Facebook has become the digital equivalent of a town square," Zuckerberg said.

"People increasingly want the intimacy of connecting privately as well; there needs to be a digital equivalent of the living room."

He said making Facebook a more privacy-focused platform includes making priorities of encrypted messaging, making shared posts more ephemeral, and not storing user data in countries where it won't be well protected.

Zuckerberg renewed his call for consistent, global regulation regarding data privacy, acceptable content, free speech, and election meddling rather than leaving such decisions to private companies.

Regulations that hamper Facebook's ability to target ads were expected to hamper profit in coming quarters, but the company planned to continue to invest heavily in its platform, executives said.

"I understand that any regulation might hurt our business," Zuckerberg

said.

"But, getting this regulation right is more important."

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