

Zuckerberg sells as Facebook offers new shares (Update 2)

19 December 2013, by Sophie Estienne



The share sell-off will allow Mark Zuckerberg to retain power over Facebook

Facebook chief Mark Zuckerberg will sell a chunk of his stake in the company, cashing in some \$2.3 billion, as part of a new share offering by the huge social network.

A Facebook filing Thursday said the company would sell 70 million shares in a follow-on offering to the huge initial public offering in May 2012.

Of the total amount, Zuckerberg will sell around 41 million shares, mainly to satisfy his tax obligations, the company said in a statement.

The 27 million new shares would raise some \$1.5 billion for the company "for working capital and other general corporate purposes," the statement said.

Zuckerberg's sale will have little impact on his control of the company he co-founded from his Harvard University dormitory.

He owns an estimated 29 percent of Facebook

capital, but based on the dual classes of stock, he will still hold 56.1 percent of the voting rights after the new offering, down from 58.8 percent.

With the proxies he holds for other shareholders, Zuckerberg will control 62.8 percent of the voting rights after the new offering, down from 65.2 percent.

The company said Zuckerberg will exercise his option to purchase 60 million Class B shares and then convert the shares to Class A for the sale.

Each Class A share has one voting right, while Class B shares have 10 voting rights.

Another early Facebook investor, entrepreneur Marc Andreessen, will sell some 1.6 million shares in the offering.

The filing with the Securities and Exchange Commission also notes that Zuckerberg plans to donate 18 million shares to an unspecified beneficiary. He and his wife Priscilla last year gave a similar amount to a Silicon Valley foundation.

One of the reasons for the new Facebook offering is to meet expected demand with Facebook being added to the Standard & Poor's 500 index. That requires portfolio managers who own the stock index to buy Facebook shares.

Being added to the S&P 500 comes at the end of a year in which Facebook climbed out from the wreckage of its much-hyped but quickly panned stock market debut early in 2012. Facebook has been on an upward cycle since earnings showed a jump in mobile advertising revenue.

Zuckerberg's net worth was estimated by Forbes magazine at \$19 billion at the end of September, making him the 25th richest person in the United States and 66th wealthiest in the world.

Facebook stock fell by more than half after the 2012 IPO at \$38, but have doubled since August and hit record highs in recent weeks. The shares closed down 0.94 percent Thursday at \$55.05, not far from its all-time high of \$55.89.

The world's leading online social network reported profit of \$425 million in the quarter that ended on September 30, compared with a loss a year earlier. Revenues rose sharply to \$2.016 billion

Facebook earlier this week began serving up video ads that pop up and play when users check their news feeds. The leading online social network said it is testing the new advertising technique this week with a clip teasing the new film "Divergent."

Analysts at Bank of America/Merrill Lynch estimated that video ads could generate a 10 to 15 percent lift in revenues for Facebook.

The consultancy eMarketer said Facebook has become the second largest seller of digital advertising behind Google, and that Facebook will take in 7.4 percent of net US digital ad dollars, or \$3.17 billion, in 2013.

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