Report: Facebook nets $500 million investment

NEW YORK (AP) -- A reported investment by Goldman Sachs and a Russian investor of $500 million in Facebook is a further sign that the social networking behemoth is becoming a powerful force even outside tech circles, even as the company tries to push off going public as long as possible.

The investment implies that the company is worth $50 billion, according to the report - more than twice the market valuation of Yahoo Inc., though still well below its famous Silicon Valley rival, Google Inc.

The New York Times reported the investment over the weekend, citing unnamed people involved with the deal. Facebook and Goldman Sachs declined to comment Monday.

Russian investor Digital Sky Technologies already has a small stake in Facebook, but the investment from Goldman Sachs is a sign of just how big the Palo Alto, Calif.-based startup has become in the nearly seven years since it was born in CEO Mark Zuckerberg's Harvard dorm room.

Wedbush Morgan analyst Lou Kerner, who's been bullish on social media and Facebook in particular, said Facebook is worth the $50 billion the investment implies.

He said that amount is 15 percent less than the going rate on private stock exchanges, and just half of what Kerner thinks Facebook's shares would trade at if the company were to go public.

Shares of privately held companies can be traded on private stock exchanges such as SecondMarket and SharesPost. The shares are generally sold by former employees or early investors in these companies. Only institutional investors or high net-worth individuals - those worth more than $1 million - can buy the shares.

On SharesPost, a completed contract between a buyer and a seller valued shares Facebook at $25 each. This implies a valuation of nearly $57 billion for the world's largest social network, with 500 million-plus users worldwide.

While the market for Facebook's shares is hot, it's not guaranteed that the company's shares would be worth on the public market what they go for in private exchanges.

Not that Facebook is in any rush to go public. Zuckerberg, 26, has long been coy about a possible initial public offering, recently telling CBS' "60 Minutes" that he doesn't see selling the company or going public as an end goal, as a lot of people seem to.

"(It's) like you win when you go public. And that's just not how I see it," he said on Dec. 5.

There are many reasons for Facebook to put off an IPO, a big one being that it doesn't need the money, as the latest investment shows. Companies go public to get access to capital, and Facebook clearly has access to capital, Kerner said.

Becoming public also requires a "significant time commitment" from a company's senior management that they could otherwise spend running the company, he added. Zuckerberg has been deeply involved with running Facebook since its founding and shows no signs of wanting to give that up to cash out. He's even pledged to give away at least half of his wealth along with a slew of much older billionaires such as Carl Icahn and Barry Diller.

And Facebook, which already faces government scrutiny for the way it handles the troves of personal information its users share through its tools, would be subject to even more poring eyes were it to go public, Kerner noted.

"If I'm Facebook, I don't think I ever want to go public," he said.

The company discloses very limited financial information now, but this could change if the number of its shareholders hits 500. At that point, Securities and Exchange Commission rules would kick in requiring it to disclose more numbers, even if it doesn't go public. The company has been trying to prevent this from happening. It bars current employees from selling their shares, for example.

Facebook hasn't said whether it's profitable, though in 2009 it said it was "cash-flow positive," meaning it was bringing in more money than it was spending. Research firm eMarketer estimates that Facebook generated $1.29 billion in online ad revenue in 2010 and will rake in $1.76 billion in 2011.

The Times reported that Goldman is planning to create a "special purpose vehicle" that may be able to circumvent the 500 shareholder rule because it would be managed by Goldman and considered just one investor, even though it could conceivably be pooling investments from thousands of clients. As part of the deal, the newspaper said, Goldman could raise as much as $1.5 billion total based on the $50 billion valuation.

Digital Sky Technologies - together with sister company Mail.ru, which had its IPO in London in November - owns 10 percent of Facebook. A person answering the phone at the company's office in Moscow said no one was available to comment on the reported deal.

Microsoft Corp. also owns a small stake in Facebook. It invested $240 million in Facebook in 2007 in exchange for a 1.6 percent stake, at the time implying a valuation of $15 billion.

Associated Press writer Lynn Berry in Moscow contributed to this story.

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