Facebook set to price initial public offering

BARBARA ORTUTAY - AP Technology Writer - Associated Press

Facebook's initial public offering is shaping up to be one of the largest in history. It's expected to be a big payoff for a company that started out eight years ago with no way to make money.

Facebook Inc. will likely price its IPO late Thursday, meaning that the investment banks orchestrating the offering will determine the price at which they plan to sell the stock to their clients. Facebook's stock is expected to begin trading on the Nasdaq Stock Market on Friday under the ticker symbol "FB."

At the top of its expected price range of $34 to $38 per share, the offering could reap a $16 billion windfall for Facebook and its selling shareholders. That would make it the third-largest U.S. IPO in history, according to IPO advisory firm Renaissance Capital. And it would be the seventh-biggest IPO in the world. On Thursday, the Wall Street Journal, citing people familiar with the matter, said Facebook was close to an agreement on the $38 price. A Facebook spokesperson didn't immediately return a message for comment.

For the Harvard dorm-born social network that reimagined how people communicate online, the stock sale means more money to operate the data centers that hold the trove of status updates, photos and videos shared by Facebook's 900 million users. It means more money to hire the best engineers to work at its sprawling Menlo Park, California, headquarters, or in New York City, where it opened an engineering office last year.

And it means early investors, who took a chance seeding the young social network with start-up funds six, seven and eight years ago, can reap big rewards. Peter Thiel, the venture capitalist who sits on Facebook's board of directors, invested $500,000 in the company back in 2004. He's selling nearly 17 million of his shares in the IPO, which means he'll get some $640 million.

The offering stands to value Facebook, whose 2011 revenue was $3.7 billion, at as much as $104 billion. The sky-high valuation has its skeptics. Google Inc., whose revenue stood at $38 billion last year, has a market capitalization of $207 billion.

"There seems to be somewhat of a hype around the stock offering," says Gartner analyst Brian Blau in somewhat of an understatement.

There are a few reasons for the exuberance. One is the IPO's sheer size. Investor appetite for the stock will likely propel Facebook's valuation above other well-known companies such as Kraft, Disney and even Amazon.com.

Secondly, it's personal.

"It's probably one of the first times there has been an IPO where everyone sort of has a stake in the outcome," Blau says. While most Facebook users won't see a penny from the offering, they are all intimately familiar with the company, so it resonates as something they understand.

And then there's CEO Mark Zuckerberg, who just turned 28 on Monday. He has emerged as the latest in a lineage of Silicon Valley prodigies who are alternately hailed for pushing the world in new directions and reviled for overstepping their bounds. He's counted the late Apple CEO Steve Jobs among his mentors and he became one of the world's youngest billionaires — at least on paper — well before Facebook went public. A dramatized version of Facebook's founding was the subject of a Hollywood movie that won three Academy Awards last year, propelling Zuckerberg even further into the public spotlight.

Though Zuckerberg is selling about 30 million shares, he will remain Facebook's largest shareholder. He set up two classes of Facebook stock, building on the model Google co-founders Larry Page and Sergey Brin set up as part of the online search leader's 2004 IPO. The dual class structure helps to ensure that he keeps control as the sometimes conflicting demands of Wall Street exert new pressures on the company.

As a result, with the help of early investors who've promised to vote their stock his way, Zuckerberg will have the final say on how nearly 56 percent of Facebook's stock votes.

True to form, Zuckerberg and Facebook's engineers are ringing in the IPO on their own terms. The company is holding an overnight "hackathon" Thursday, where engineers stay up writing programming code to come up with new features for the site. On Friday morning, Zuckerberg will ring the Nasdaq opening bell from Facebook's headquarters.

Source URL (retrieved on *03/10/2014 - 1:36pm*):
http://www.ecnmag.com/news/2012/05/facebook-set-price-initial-public-offering?qt-video_of_the_day=0