

# Facebook 4Q results surpass expectations

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Facebook delivered fourth-quarter results above Wall Street's expectations Wednesday and said its mobile ad revenue — a closely watched figure — is growing.

"Everything was slightly better than expected," said Wedbush Securities analyst Michael Pachter.

Facebook's stock increased 16 cents to \$31.40 in after-hours trading after briefly dipping lower just after the release of the results.

Facebook Inc., the world's largest social media company, earned \$64 million, or 3 cents per share, in the October-December period. That's down from \$360 million, or 14 cents per share, a year earlier when it was still a privately held company.

Revenue rose 40 percent to \$1.59 billion from \$1.13 billion.

Excluding special items, mainly related to stock compensation expenses, Menlo Park, California-based Facebook earned 17 cents per share in the latest quarter.

Analysts polled by FactSet expected lower adjusted earnings of 15 cents per share on revenue of \$1.51 billion.

Facebook's biggest challenge —and its greatest opportunity— lies in mobile devices. Most Facebook users access it using a mobile phone or tablet computer, yet the 9-year-old company only started showing mobile ads about 9 months ago.

The company said it generated 23 percent, or \$306 million, of advertising revenue from mobile, up from 14 percent in the third quarter, the first time it disclosed such information.

While Facebook's accelerated revenue growth is a positive sign, there's still a feeling that the company could be doing even more to mine revenue from its mobile audience, said Raymond James analyst Aaron Kessler. He expected Facebook's mobile ad revenue to rise to 25 percent of the company's ad sales or about \$350 million in the fourth quarter.

Facebook's monthly user base grew 25 percent from a year earlier to 1.06 billion accounts. About 680 million of them access Facebook using a mobile device each month.

As of the stock market's close on Wednesday, Facebook's stock was up 60 percent since the company's third-quarter earnings report came out in October. But it still hasn't hit its initial public offering price of \$38.

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The May 18 IPO was by far the biggest one for an Internet company since Google's in 2004, but the excitement quickly deflated.

Facebook's stock briefly declined after Wednesday's results came out. Pachter suspects investors may have been worried Facebook's expenses are starting to outstrip its revenue growth. That was the case in the fourth quarter when the company's costs, excluding employee stock compensation, soared 67 percent from the previous year to \$849 million.

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AP Technology Writer Michael Liedtke contributed to this story from San Francisco.

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