

# Facebook IPO tests easy growth assumptions

REUTERS, San Francisco

As Facebook hurtles toward one of the largest initial public offerings in US history, its honeymoon with investors may already be over.

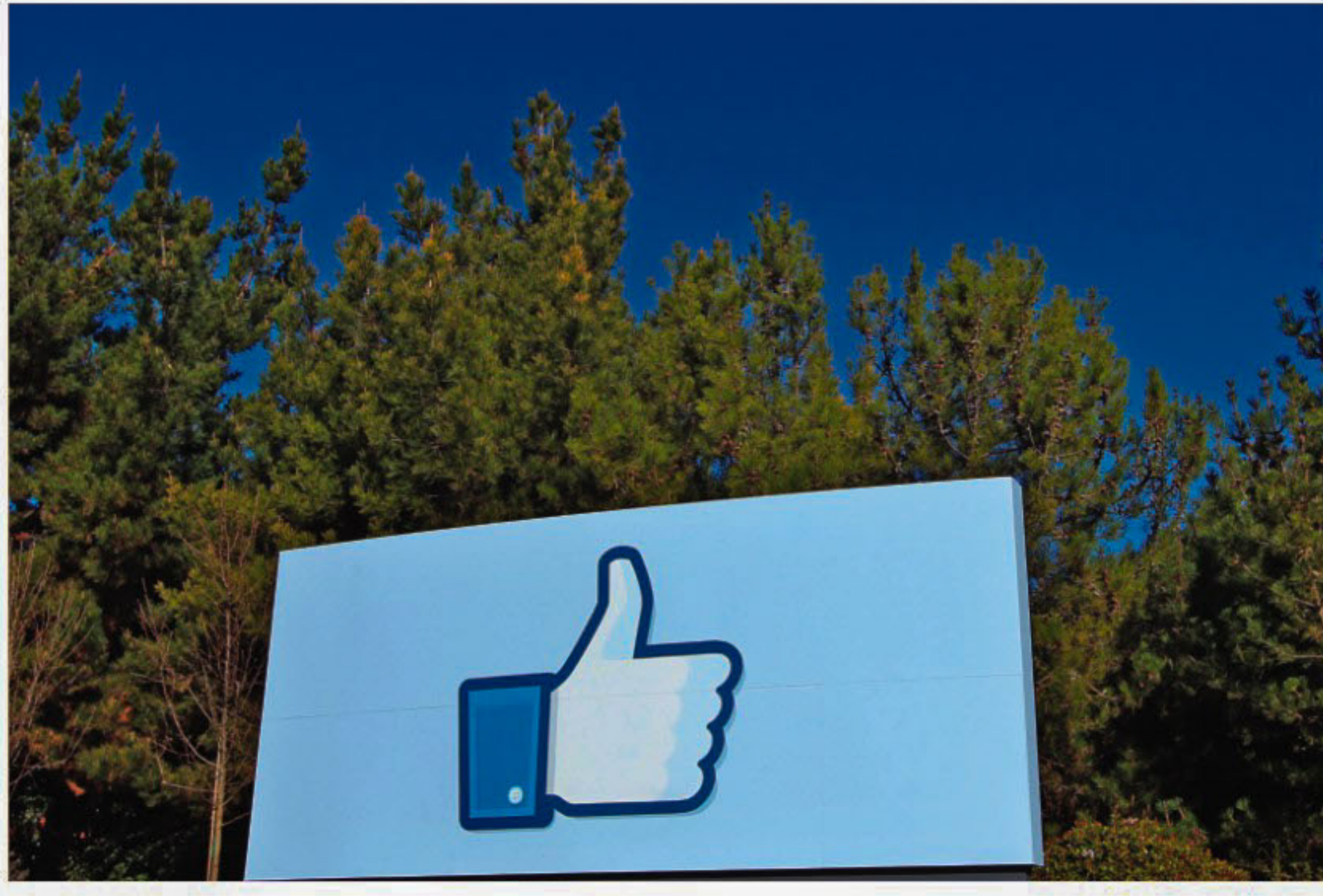
The dorm-room project started by Harvard dropout Mark Zuckerberg, 27, could well become one of the world's most highly valued Internet companies when it sells shares to the public for an expected valuation of as high as \$100 billion.

But the relatively carefree days of super-charged user growth may be behind Facebook, analysts say, as the social networking company begins the difficult task of living up to Wall Street's lofty expectations under a public microscope.

Facebook's IPO prospectus, filed with US regulators on Wednesday, revealed a profitable and fast-growing business built upon advertising revenue and online transactions.

But the Silicon Valley company's \$3.7 billion in revenue last year was at the low end of analysts' expectations and underscored the wide gulf between its current business and the most optimistic hopes that many investors have riding on it.

"For the valuation that people are going to be paying for this name, they're going to probably be overpaying by a third because



of the optimism related to just the name," said Michael Yoshikami, chief executive of YCMNET Advisors, a California-based wealth management firm.

"The numbers justify maybe a \$50 billion number," he said, referring to Facebook's valuation.

Facebook's revenue growth rate - roughly 88 percent in 2011 - would justify a \$65 billion valuation, Yoshikami noted, which is far short of the \$75 billion to \$100 billion that sources have said the

company is looking for.

Facebook's explosive growth has come as first-time users joined the social networking site in droves, which in turn enticed even more to join up. The world's biggest social network now has 845 million members in more than 70 languages.

But with signs that membership growth is slowing, analysts say Facebook needs to get existing users to spend more time on the site and advertisers to spend

more money. In the last three months of 2011, Facebook's total monthly active users rose 5.6 percent versus 10.5 percent in the last three months of 2010.

"The hypergrowth is probably over" said Michael Pachter, head of research in the private shares group at Wedbush Securities.

"The low-hanging fruit of the Western developed world has already been penetrated to a large extent...It's just kind of obvious that they're not going to

ever get every single person that lives on the planet."

Facebook knows it needs to diversify revenue streams. It has a successful gaming business that nets it 30 percent of the revenue from sales of virtual goods in games like Zynga Inc's Farmville.

But Facebook wants to encourage users to stay for media content, putting it in competition against Apple Inc and Google Inc.

Known for its engineering-driven culture, where innovation and experimentation are prized, Facebook has rolled out a steady stream of new features and capabilities, from video chat to mobile apps. They appear to be ensuring that users keep coming back.

In December, 57 percent of Facebook's 845 million active users interacted with the service on any given day, up from 54 percent at the same time last year, the IPO prospectus shows.

And US users seem willing to devote increasing amounts of time to the site - seven hours each month compared to just over five hours only a year ago, data from industry research firm comScore says.

Boosting that level of engagement, however, will be one of Facebook's challenges. With new competitors hitting the market, from image-sharing site Pinterest to Google+, some analysts warn that social networking "fatigue" might set in.

## IBM brings smarter computing for Bangladeshi companies



IT & TELECOM REPORT

IBM has unveiled smarter computing solutions that help clients in Bangladesh transform, grow and become more competitive.

A wide range of workload-optimisation hardware solutions, such as IBM Storwize V7000, IBM Starter Kit for Cloud and IBM BladeCenter blade servers were presented at the IBM Smarter Computing Forum.

Tailored to the local market needs through business partners like Thakral, these smarter computing solutions bring the benefits of improved economics and business performance to Bangladesh clients.

IBM introduced its Smarter Computing approach to information technology (IT) last year as a way for organisations to realise greater efficiencies, improved reliability and better performance, all at a lower cost.

This strategy centres around three fundamental aspects leveraging analytics to exploit vast amounts of data for business goals, utilising optimised systems that are designed for specific tasks; and managing as much of the IT as possible with cloud-computing technologies.

"Smarter Computing is an approach within reach. These forward-thinking organisations in Bangladesh are indeed poised for greater successes through innovation. We are excited about the opportunity to assist our clients in Bangladesh, as they build globally competitive businesses", said Subram Natarajan, executive, Technical Computing & Systems Solutions Centre, IBM India, South Asia.

## Angelic "Steve Jobs" loves Android in Taiwan TV ad



Actor Ah-Ken dressed as Jobs in the commercial.

REUTERS, Taipei

He may have derided Android devices in real life but in the afterlife Apple Inc founder Steve Jobs is glad he can use one -- or at least that's the story a Jobs look-alike tells in a recent TV commercial for a Taiwanese electronics company's new product.

In the ad, Taiwanese comedian and impersonator Ah-Ken, dressed in Jobs' trademark black turtleneck sweater and blue jeans and sporting white angel's wings and a halo, extols the virtues of Action Electronics Co.'s combined tablet PC and multi-language dictionary, which runs on Google Inc's Android.

"Introducing the new generation of the pad," says the "Jobs" character, whipping the Action Pad out of his back jeans pocket, wings flapping as he shows off the dictionary functions on a giant screen behind a darkened stage furnished with a sofa and small table.

"Thank God I finally get to play other tablets," the character adds in the 20-second commercial's final scene, a broad grin on his face as he taps away on the device on the sofa. The ad is subtitled in English throughout, a nod to the device's dictionary function.

Jobs, who died in October 2011, famously referred to Android as "shit," according to his biography, and was quoted in the book as saying he was going to "destroy" Android and was prepared to go to "thermonuclear war" over the product.

The commercial does not use Jobs' name or refer to him or Apple in any way, but has drawn some sharp reactions on YouTube, with some branding it distasteful and disgusting and one even calling for a boycott of the company.

Chen didn't see any adverse reaction from Apple.

## From dorm room to Nasdaq: Facebook's meteoric ascent

REUTERS, San Francisco

Facebook on Wednesday filed to raise \$5 billion in an initial public offering. Here are a few highlights of its meteoric rise, several of which were chronicled in David Fincher's seminal Oscar-winning 2010 movie, "The Social Network":

**October 28 2003** - Mark Zuckerberg, a Harvard psychology sophomore, writes "Facemash," a website that asked users to judge students' attractiveness based on their dorm-directory photos. The authorities -- and many students -- were not amused.

**February 4 2004** - Zuckerberg launches Thefacebook.com, a social network that allows users to create basic profiles including personal information and photos.

**February 10 2004** - Harvard students Cameron Winklevoss, Tyler Winklevoss and Divya Narenya send Zuckerberg a cease-and-desist letter, accusing Zuckerberg of independently developing thefacebook.com while he was hired to work on their social networking project, HarvardConnection.

**June 2004** - Peter Thiel, PayPal co-founder and venture capitalist, invests \$500,000 in Facebook.

**May 26, 2005** - Accel Partners, the venture capital firm headed by investor Jim Breyer, invests \$12.7 million in Facebook, valuing the company at roughly \$100 million.

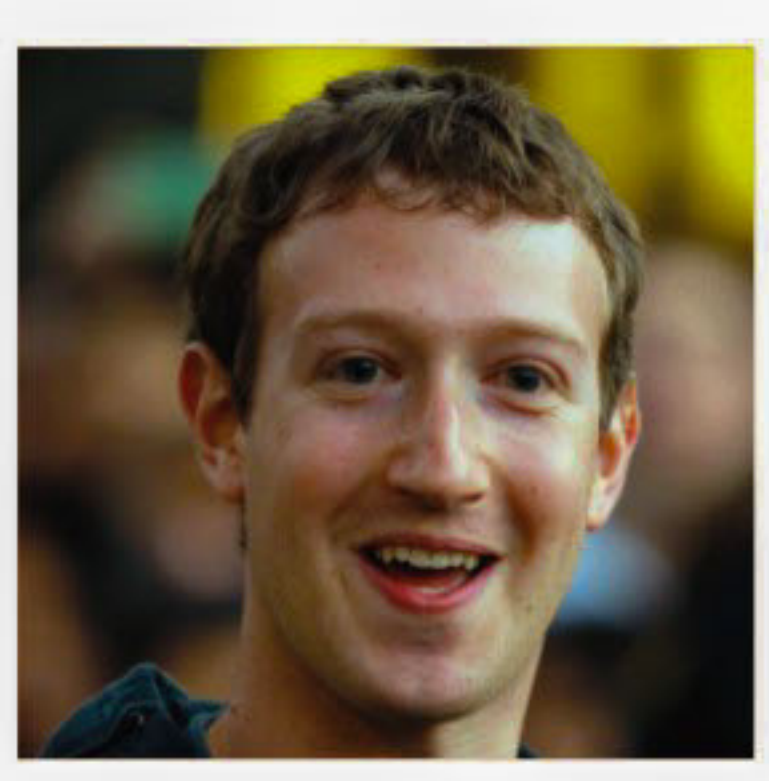
**October 24, 2007** - Microsoft Corp announces that it purchased a 1.6 percent share of Facebook for \$240 million, giving the company a total implied value of around \$15 billion.

**April 7, 2008** - Facebook settles

with the founders of "ConnectU", the Winklevoss twins and Divya Narenda, for a purported \$65 million, according to promotional material later published by ConnectU's lawyers.

**May 26, 2009** - Russian investor Yuri Milner's Digital Sky Technologies invests \$200 million for a 1.96 percent stake, bringing Facebook's value down to \$10 billion.

**June 3, 2010** - Zuckerberg sweats profusely as he takes questions about Facebook's privacy policy while onstage at the All Things



Digital conference. The episode, which the Twittering classes dubbed a "Nixon Moment," renewed questions about Zuckerberg's viability as the CEO of a company rumored to go public soon.

**June 30, 2010** - In one of the more bizarre twists in Facebook's history, New York businessman Paul D. Ceglia files suit against Zuckerberg, claiming he had struck a deal with the founder in 2003 for half of Facebook's revenue and rightfully owned 84 percent of the company. Three successive lawyers withdrew from his legal team within a period

of four months in late 2011. The litigation remains ongoing.

**October 10, 2010** - Columbia Pictures releases "The Social Network," a film about Facebook's beginning, directed by David Fincher and written by Aaron Sorkin.

**January 2, 2011** - Facebook raises \$500 million from Goldman Sachs and Digital Sky Technologies in a deal that valued the company at \$50 billion.

**January 2011** - Goldman controversially markets as much as \$1.5 billion worth of Facebook shares to its private investors, but withdraws the offer from American clients on January 18 following intense media coverage and scrutiny from the U.S. Securities and Exchange Commission. The offer was withdrawn because of accusations that it ran afoul of regulations prohibiting share-placement sponsors from aggressively promoting a deal to potential investors.

**November 29, 2011** - Facebook agrees to settle Federal Trade Commission charges that it deceived users on what information it would keep private. The incident underscored how user concerns about privacy were spurring top-level government scrutiny of Silicon Valley.

**January 25, 2012** - Trading of Facebook shares is halted on the secondary market as rumors of an impending IPO gain steam.

**February 1, 2012** - Facebook files its Form S-1 with the Securities and Exchange Commission seeking to raise \$5 billion in a highly anticipated IPO.

## 'We care about every worker': Apple CEO



AP

Apple chief executive Tim Cook has responded to media reports alleging harsh working conditions in China for manufacturing employees of the popular gadget-maker.

Cook, who took over as chief executive from Apple's late co-founder, Steve Jobs, addressed the reports of long hours and occasionally unsafe conditions in an email obtained by the 9to5mac.com website.

Cook's message comes after The New York Times and other media outlets published stories about working conditions in factories in China which make parts or assemble Apple devices such as the iPhone and the iPad.

"As a company and as individuals, we are defined by our values," Cook said in the email. "Unfortunately some people are questioning Apple's values today, and I'd like to address this with you directly."

The Times report cited safety issues and said workers assembling iPhones, iPads and other devices "often labor in harsh conditions" and work "excessive overtime."

The newspaper said two explosions at iPad factories last year killed four people and injured 77.

"We care about every worker in our worldwide supply chain," Cook said. "Any accident is deeply troubling, and any issue with working conditions is cause for concern."

"Any suggestion that we don't care is patently false and offensive to us," he said. "As you know better than anyone, accusations like these are contrary to our values. It's not who we are."

"For the many hundreds of you who are based at our suppliers' manufacturing sites around the world, or spend long stretches working there away from your families, I know you are as outraged by this as I am," Cook said.

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