

Facebook posts profit; mobile advertising up

Shares hit high in after-hours trading before fading fast

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SAN FRANCISCO Facebook shares went on a roller-coaster ride Wednesday despite a sharp increase in profits and revenue.

Facebook on Wednesday blew past Wall Street's forecasts, sending shares rocketing to a new all-time high in after-hours trading on the news. Shares of Facebook jumped 15.5%, at \$56.65, after the company reported third-quarter results following the close of markets.

But the stock dropped in extended trading after Facebook acknowledged a decrease in daily use among young teenagers.

"We did see a decrease in daily users specifically among younger teens," said CFO David Ebersman on a conference call.

Facebook reported net income of \$621 million, excluding certain items, on \$2 billion in revenue for the quarter. Analysts had projected Facebook would earn net income of \$462.3 million on \$1.9 billion in revenue in the quarter, according to the survey of estimates from Thomson Reuters. Facebook's revenue was up 60% from a year ago.

* "Now, 49% of our revenue comes from mobile," Facebook CEO Mark Zuckerberg said on the call. * * *

Facebook's blockbuster results highlight a swift evolution into delivering mobile advertisement to its News Feed and a booming business. Mobile advertising revenue came in at about \$882 million in the quarter, up sharply from nearly \$153 million a year ago.

Last quarter, Facebook reported 41% of its ad revenue came from mobile devices. Facebook in that quarter reported 819 million of its 1.15 billion



CHRIS RATCLIFFE, BLOOMBERG

FACEBOOK'S Q3 NUMBERS

REVENUE

\$2.0 billion

Up 60% from last year

REVENUE FROM ADVERTISING

\$1.8 billion

Up 66% from last year

AD REVENUE FROM MOBILE

49%

of total ad revenue (about \$881 million), which is up from 14% in Q3 2012

EARNINGS PER SHARE

\$0.25

Beat consensus of \$0.19

AVERAGE REVENUE PER USER

\$1.72

User growth and engagement up

MONTHLY AVERAGE USERS

1.2 billion

up 18% year-over-year

DAILY AVERAGE USERS

728 million

up 25% year-over-year

SOURCE: FACEBOOK

Facebook's quarterly results showed strength in mobile advertising.

members came from mobile. This quarter it said 874 million were coming from mobile and that the site spans 1.19 billion members.

"They are addressing the criticisms people had of them when their stock was going down a year ago. They have proven they can deliver ads wherever people are on Facebook," says Wedbush Securities analyst Michael Pachter.

Facebook has been serving up mobile ads and advertising services at a blistering pace in a booming advertising category.

The mobile advertising market is expected to jump 89% to \$16.65 billion worldwide in 2013, according to researcher eMarketer. Google is expected to bag half of those ad dollars, according to the research firm, while Facebook is forecast to snag 15.8%.

The social-networking giant's mobile and financial potential has driven shares up nearly threefold in the past year, reaching a 52-week high of \$54.83 earlier this month. Instagram this month said it plans to launch sponsored images and videos in coming months. Evercore Partners estimates that could haul in \$340 million in advertising revenue by 2014.

Facebook's results on Wednesday could put to rest concerns over the staying power of its social advertising business.