

# Facebook Report 2021

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facebook

# FACEBOOK

## COMPANY OVERVIEW

Facebook Inc. develops products that enable people to connect and share with friends and family members. The company's products include Facebook that enables people to connect, share, discover, and communicate with each other on mobile devices and personal computers; Instagram, a community for sharing photos, videos, and private messages; Messenger, a messaging application for people to connect with friends, family, groups, and businesses across platforms and devices; and WhatsApp, a messaging application that is used by people and businesses to communicate in a private way.

The digital ad industry is expected to have strong revenue growth in the next decade. However, due to the COVID-19, it has been negatively impacted this year and it might take a couple of years before it gets back to the pre-pandemic level, according to emarketer.com. The US media industry will decrease its digital ad spending by **9.3% to \$6.28 billion in 2020, while the US entertainment industry will reduce its digital ad spend by 6.9% to \$7.03 billion.**

Facebook has introduced Facebook Shops to help small businesses sell online. UBS analyst Eric Sheridan believes that this is a \$10 billion opportunity in the next 3-5 years. The analyst has raised the price target from **\$242 to \$330**. He is also positive on the product and platform innovation, and sees Facebook as a beneficiary of key secular industry themes.



## FINANCIALS - Q3 2020

Facebook generated around \$21.5 billion in revenue in Q3 2020, up 22% year-on-year. The positive revenue results show the company is starting to recover from the coronavirus-related economic downturn.

Although the coronavirus pandemic initially signaled a slowdown in digital advertising, the recovering economy has shown a reversed course in recent months for platforms like Facebook whose revenue is heavily based on ad spending.

**\$21.5 BILLION**  
REVENUE  
22% INCREASE

Facebook says the slight decrease is due to "elevated" user numbers in Q2 due to the pandemic, and it expects to see a similar trend for the fourth quarter.

**2.74 BILLION**  
MONTHLY USERS  
12% INCREASE

The social media giant, which also owns Instagram and WhatsApp, said its daily active user base grew to 1.82 billion, up 12% year-on-year, versus 1.78 billion expected by analysts.

### Key Points from the Q3 2020 Earnings report

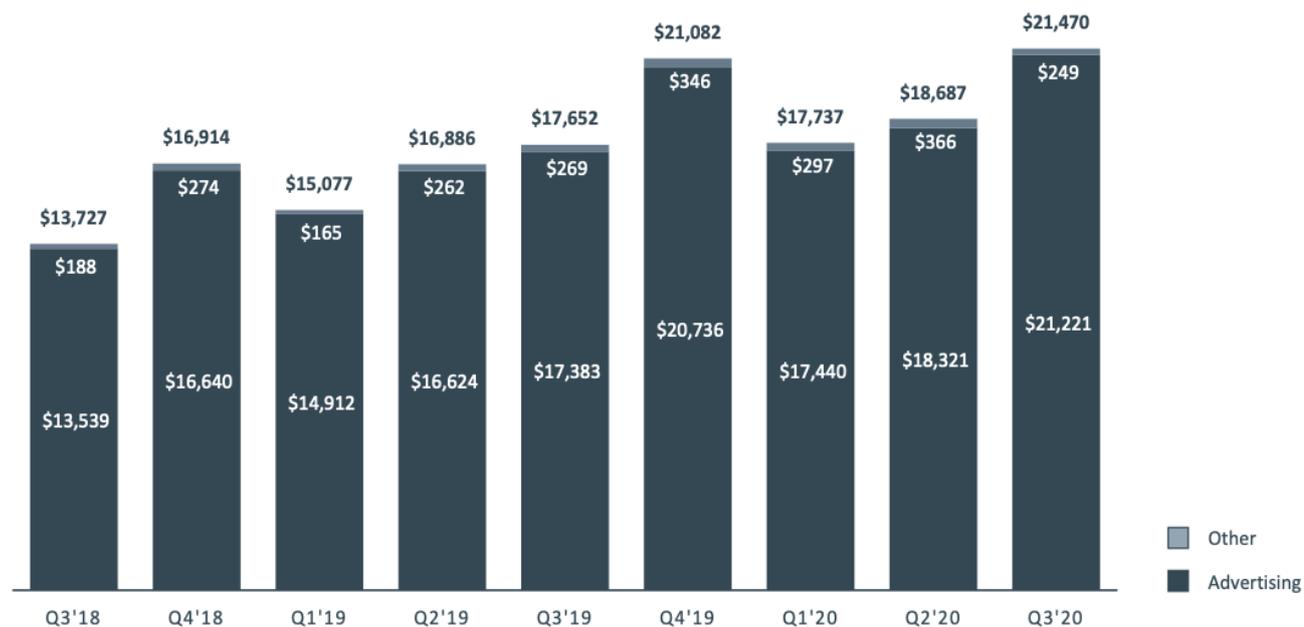
- Facebook reported \$21.5 billion in revenue for Q3 2020, up 22% year-on-year, and beating Wall Street's expectations of \$19.8 billion.
- It also reported a rare decline in daily active users for the US and Canada, down to 196 million from 198 million the previous quarter, but saw a jump in revenue-per-user for the region.
- Earnings Per Share (EPS) GAAP: \$2.71 (\$1.91 expected)
- Daily Active Users: 1.82 billion, up 12% year-on-year (1.78 billion expected)

Facebook's "Other" revenue came in at \$249 million for the quarter, down 7% compared to last year. This includes sales of Oculus virtual reality headsets and the Portal video-chatting devices. However, the company said sales of the Oculus Quest 2 have been strong and could benefit its "Other" revenue in the fourth quarter.

# KEY STATISTICS - Q3 2020

## Revenue

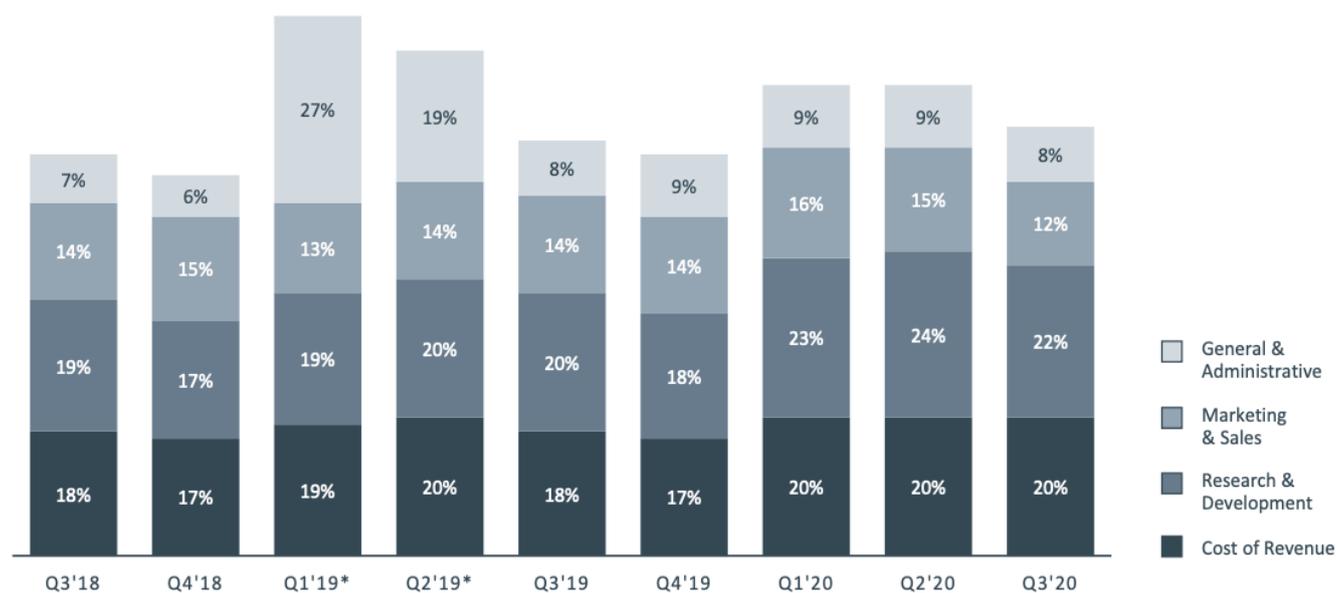
In Millions



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## Expenses as a Percentage of Revenue

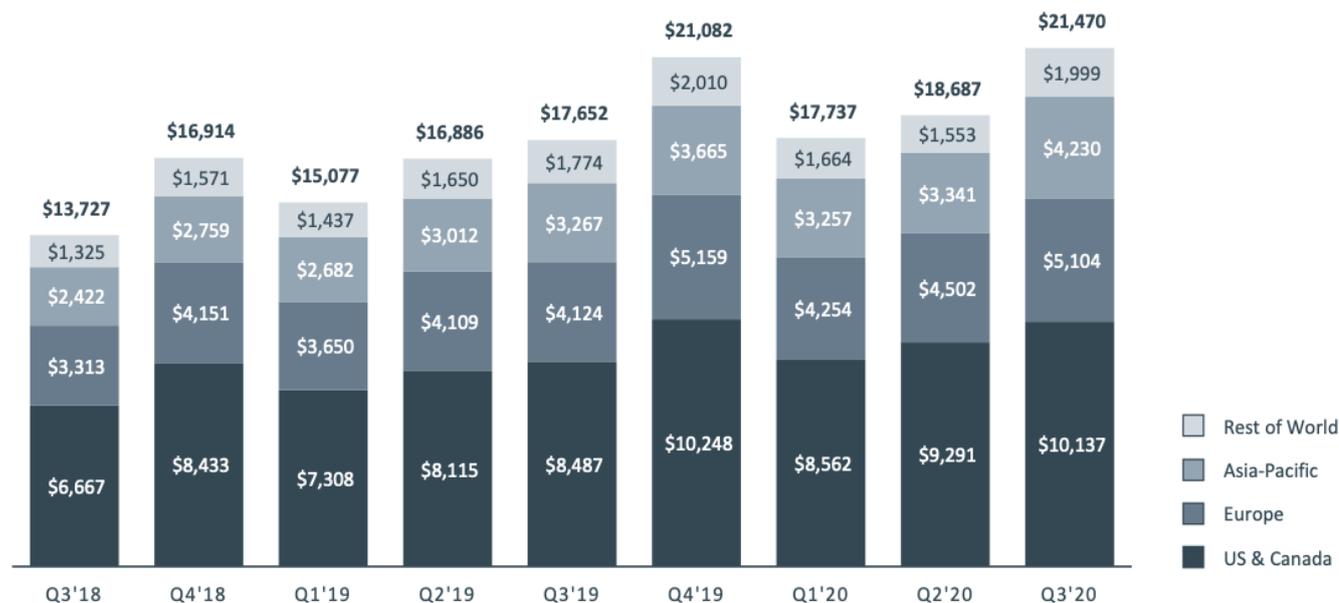
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# Revenue by Facebook User Geography

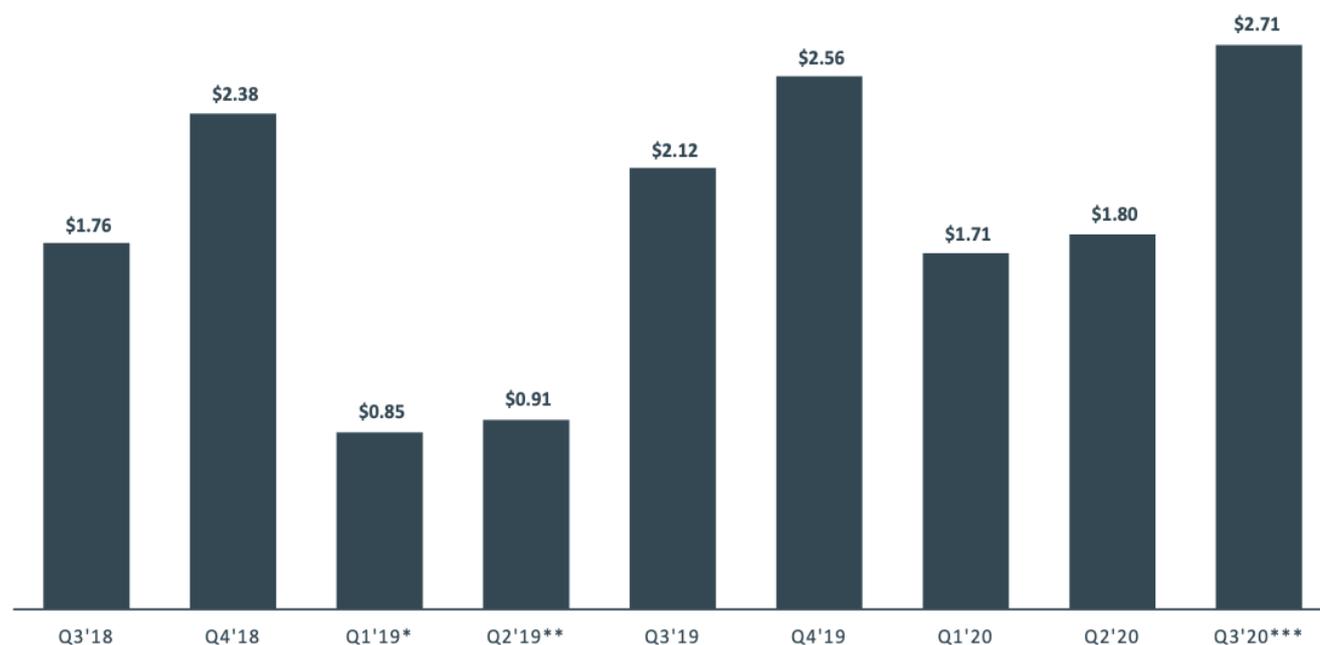
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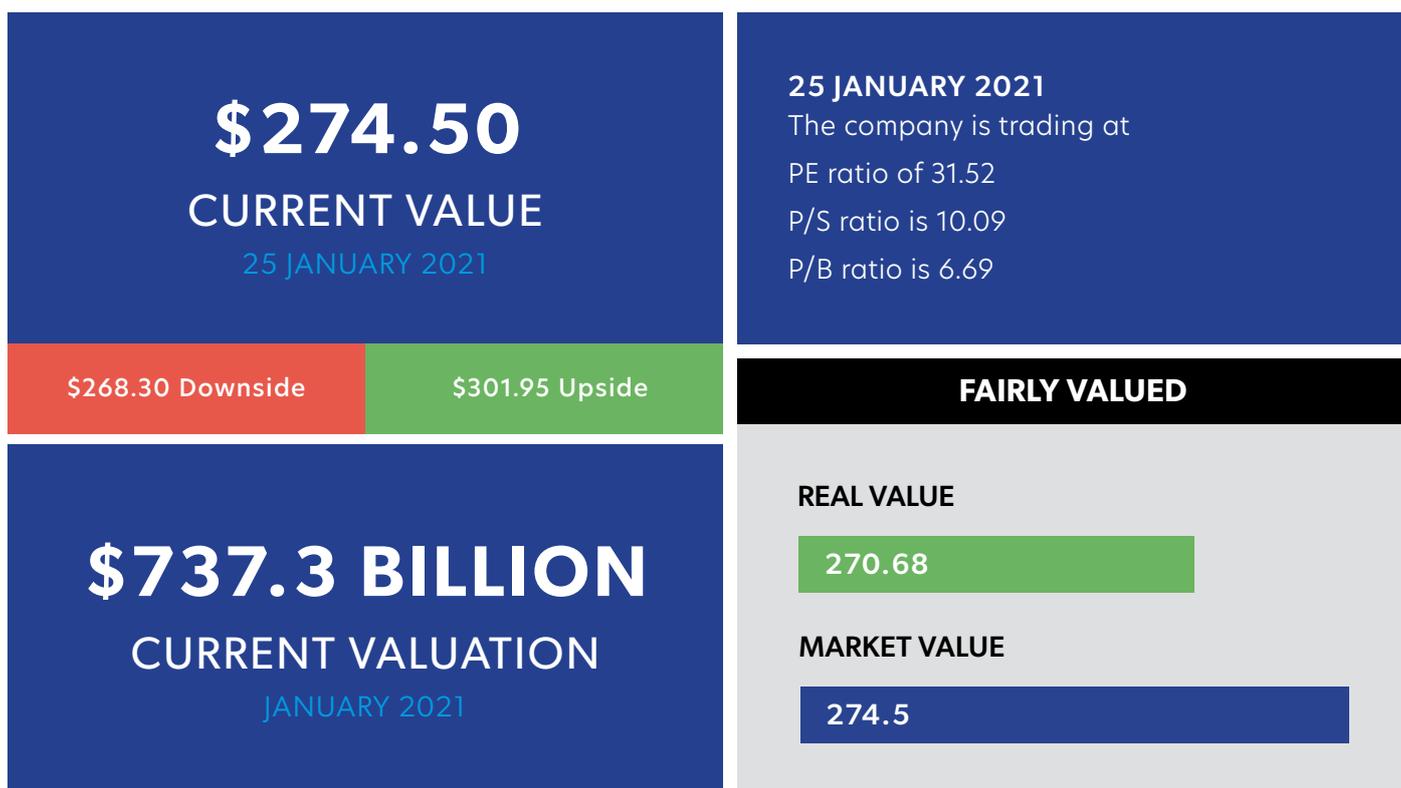
# Diluted Earnings Per Share

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# VALUATION

The past year's Free Cash Flow was at 24.39 Billion. The current year Tangible Asset Value is expected to grow to about 141.2 B, whereas Enterprise Value is forecasted to decline to about 528.5 B. Facebook shows a prevailing Real Value of \$270.68 per share. **The current price of the firm is \$274.5. At this time, the firm appears to be fairly valued.**



## AVERAGE ANALYST ANALYSIS

Facebook is very steady asset. Analysis and calculation of next after-hype price of Intel is based on 3 months time horizon.

### BUY



# FINAL THOUGHTS

Facebook is trading at 274.50 as of the 25th of January 2021, a 0.60% increase since the beginning of the trading day. The stock's open price was 272.87. Facebook has a very small chance of experiencing financial distress in the next few years, but has generated negative returns over the last 30 days.

Facebook will report its fourth-quarter and full-year 2020 earnings on Jan. 27, and I'm expecting more big numbers for FB stock.

If Facebook can continue its upward trend in those categories, the slight drop in FB stock to start 2021 is going to be a distant memory.

In fact, this period in January may be seen as a rare buying opportunity to get Facebook stock while its roughly 20% off its all-time highs.

In general, we recommend acquiring undervalued stocks and selling overvalued stocks since, at some point, asset prices and their ongoing real values will merge together.