

# Share Focus: Facebook (FB.NAS)

6 December 2017 Price: \$172.83

Revenue	Net Income	Key Indicators
\$36.5bn \$18.86 Ave revenue / user (12 months to Sep '17)	\$15.2bn \$5.16 (12 months to Sep '17)	1.368bn Daily active users 2.072bn Monthly active users Net Margin = 42% PE Ratio = 31.42

*"People use Facebook to stay connected with friends and family, to discover what's going on in the world and to share and express what matters to them."* Excerpt from Facebook's mission statement.

More than a quarter of the world's population uses Facebook at least monthly. This provides the company with the ability to provide advertisers with a large audience to whom they can market their products and services to. The average revenue per user (ARPU) is \$18.86 on Facebook. Most revenues come from advertising (>98%). Additional revenue streams come from payments processing and other sources.

The company is very profitable, with approximately 42% of revenue converting to net profit. It earned \$5.16 per share representing a Price Earnings (PE) ratio of 31.42

In addition to Facebook, the company also owns Instagram, WhatsApp and Oculus (a virtual reality business).

The business is very scalable (the cost of adding a new user is virtually zero) and has very sticky customers. It needs to diversify its revenue streams to counter the eventual slow down in user growth. Its competitors include Tencent (WeChat) and Snap (SnapChat).

Sources: IRESS; [www.investor.fb.com](http://www.investor.fb.com)



Facebook Closing Price



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