

ARETE CAPITAL VIEW

- Facebook is part of the core portfolio for higher risk appetites.
- Portfolios can have a different approach depending on tolerance for volatility:
 - Those with a long-term view that ignore medium term volatility can continue to hold.
 - Those with medium term views can consider taking profits and then replacing the position at lower levels.

OPPORTUNITIES

- Usage is UP:
 - Monthly Avg Users up 17% y/y to 1.86bn
 - Daily Avg Users up 18% y/y to 1.23bn
- Innovation & Engagement
 - New function of newsfeeds video ad - "mid-roll" ads in videos, such as advert breaks on TV, including in livestreams - attract more advertisers
 - Instagram (Daily Users > 400m, Instagram stories > 150m users) has possibility of more ad sells
 - FB Messenger will begin to offer ads
- Advertising powerhouse, advertising revenues rising:
 - 2012 IPO = USD 5 per user
 - 2015 = USD 12 per user
 - 2016 = 16 per user
 - And users have been growing.....

CHALLENGES

- Issues with proper ad targeting (irrelevant ad targets)
- New growth markets have to ramp up fast, as monetization per user globally much lower than US monetization
- Reputational issues regarding fake news spread on FB platform
- US Trade spats and immigration policies

BUSINESS SUMMARY

Facebook, Inc. builds products that enable people to connect and share through mobile devices and personal computers. Its products include Facebook, Instagram, Messenger, WhatsApp and Oculus. Facebook is a mobile application and Website that enables people to connect, share, discover and communicate with each other on mobile devices and personal computers.

FINANCIAL SUMMARY

For the fiscal year ended 31 December 2016, Facebook Inc revenues increased 54% to \$27.64B. Net income applicable to common stockholders increased from \$3.67B to \$10.19B. Revenues reflect Rest of the World segment increase of 60% to \$15.06B, United States segment increase of 48% to \$12.58B. Net income benefited from Interest Income increase from \$52M to \$176M (income), Interest expense decrease of 57% to \$10M (expense).

5 YEARS CHART



RATIOS

Dividend Yield	--
P/E (Trailing)	38x
Current P/E	37.34
Annual free cash flow	11.6 billion USD

INCOME STATEMENT Billion (USD)

	2012	2013	2014	2015	2016
Revenue	5.1	7.9	12.5	17.9	27.6
Operating Expenses	4.6	5.1	7.5	11.7	15.2
Operating Income	0.5	2.8	5	6.2	12.4
Net income Before Taxes	0.5	2.8	4.9	6.2	12.5
Net income After Taxes	0.05	1.5	2.9	3.7	10.2
Net income Before Extra Items	0.05	1.5	2.9	3.7	10.2