

FACEBOOK, INC. NDQ-FB

RECENT PRICE **102.58**

P/E RATIO **87.7** (Trailing: NMF Median: NMF)

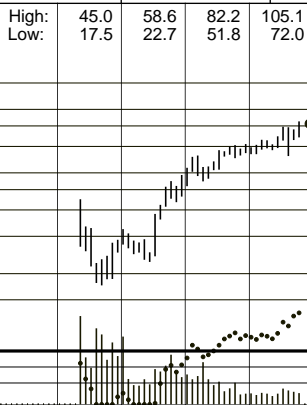
RELATIVE P/E RATIO **4.77**

DIV'D YLD **Nil**

VALUE LINE

TIMELINESS 1 Raised 11/13/15
SAFETY 3 New 8/17/12
TECHNICAL 4 Lowered 11/13/15
BETA .75 (1.00 = Market)

LEGENDS
 ... Relative Price Strength
 Options: Yes
 Shaded area indicates recession



2018-20 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	130	(+25%)	6%
Low	85	(-15%)	-4%

Insider Decisions

	D	J	F	M	A	M	J	J	A
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	0	0	0	1	1	1	1
to Sell	5	6	8	4	8	11	7	8	11

Institutional Decisions

	4Q2014	1Q2015	2Q2015	Percent shares traded
to Buy	685	698	764	120
to Sell	427	461	422	80
Hld's(000)	1466905	1498193	1539911	40

Facebook was founded by Mark Zuckerberg and fellow students at Harvard University in 2004. The company was incorporated in Delaware in July of 2004. Facebook completed its initial public offering on the NASDAQ Global Select Market in May of 2012. The total offering comprised 421,233,615 shares of Class A stock, initially priced at \$38 per share. Morgan Stanley was the lead manager.

CAPITAL STRUCTURE as of 9/30/15
 Total Debt \$126 mill. Due in 5 Yrs. \$106 mill.
 LT Debt \$109 mill. LT Interest \$7 mill.

Leases, Uncapitalized: Annual rentals \$155 mill.

Pfd Stock None

Common Stock 2,817,545,492 (2,259,736,529 Class A shares and 557,808,963 Class B shares)^C as of 7/27/15

MARKET CAP: \$289 billion (Large Cap)

CURRENT POSITION (\$MILL.)

	2013	2014	9/30/15
Cash Assets	11449	11199	15834
Receivables	1109	1678	2010
Inventory (FIFO)	--	793	--
Other	512	793	1295
Current Assets	13070	13670	19139

Accts Payable	87	176	149
Debt Due	239	114	17
Other	774	1134	1626
Current Liab.	1100	1424	1792

ANNUAL RATES of change (per sh)

	Past 10 Yrs.	Past 5 Yrs.	Est'd '12-'14 to '18-'20
Revenues	--	--	24.0%
"Cash Flow"	--	--	28.0%
Earnings	--	--	32.5%
Dividends	--	--	Nil
Book Value	--	--	18.0%

QUARTERLY REVENUES (\$ mill.)

Cal-endar	Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2012	1058	1184	1262	1585	5089
2013	1458	1813	2016	2585	7872
2014	2502	2910	3203	3851	12466
2015	3543	4042	4501	5214	17300
2016	5000	5500	5800	6200	22500

EARNINGS PER SHARE^A

Cal-endar	Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2012	.09	d.08	d.02	.03	.02
2013	.09	.13	.17	.20	.60
2014	.25	.30	.30	.25	1.10
2015	.18	.25	.31	.36	1.10
2016	.25	.35	.42	.48	1.50

QUARTERLY DIVIDENDS PAID

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2011					
2012					
2013					
2014					
2015					

NO CASH DIVIDENDS BEING PAID

	2005	2006	2007	2008	2009	2010 ^D	2011 ^D	2012	2013	2014	2015	2016	© VALUE LINE PUB. LLC	18-20
Revenues per sh	--	--	--	--	--	--	--	2.15	3.09	4.46	6.10	7.90	Revenues per sh	12.95
"Cash Flow" per sh	--	--	--	--	--	--	--	.30	.99	1.50	1.75	2.20	"Cash Flow" per sh	4.10
Earnings per sh ^A	--	--	--	--	--	--	--	.02	.60	1.10	1.10	1.50	Earnings per sh ^A	3.10
Div'ds Decl'd per sh	--	--	--	--	--	--	--	--	--	--	Nil	Nil	Div'ds Decl'd per sh	Nil
Cap'l Spending per sh	--	--	--	--	--	--	--	.52	.53	.65	.85	.95	Cap'l Spending per sh	1.30
Book Value per sh ^E	--	--	--	--	--	--	--	4.96	6.07	12.91	15.20	16.50	Book Value per sh ^E	22.20
Common Shs Outst'g ^{B,C}	--	--	--	--	--	--	--	2372.0	2547.0	2797.0	2825.0	2850.0	Common Shs Outst'g ^{B,C}	2700.0
Avg Ann'l P/E Ratio	--	--	--	--	--	--	--	NMF	59.2	62.7	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	35.0
Relative P/E Ratio	--	--	--	--	--	--	--	NMF	3.33	3.28			Relative P/E Ratio	2.20
Avg Ann'l Div'd Yield	--	--	--	--	--	--	--	--	--	--			Avg Ann'l Div'd Yield	Nil
Revenues (\$mill)	--	--	--	--	--	1974.0	3711.0	5089.0	7872.0	12466	17300	22500	Revenues (\$mill)	35000
Operating Margin	--	--	--	--	--	59.3%	56.0%	23.3%	48.5%	50.0%	45.0%	46.0%	Operating Margin	51.0%
Depreciation (\$mill)	--	--	--	--	--	139.0	323.0	649.0	1011.0	1243.0	1850	2000	Depreciation (\$mill)	2600
Net Profit (\$mill)	--	--	--	--	--	606.0	1000.0	53.0	1500.0	2940.0	3135	4315	Net Profit (\$mill)	8450
Income Tax Rate	--	--	--	--	--	39.9%	41.0%	NMF	45.5%	40.1%	42.0%	42.0%	Income Tax Rate	40.0%
Net Profit Margin	--	--	--	--	--	30.7%	26.9%	1.0%	19.1%	23.6%	18.1%	19.2%	Net Profit Margin	24.1%
Working Cap'l (\$mill)	--	--	--	--	--	1857.0	3705.0	10215	11970	12246	18000	20000	Working Cap'l (\$mill)	27500
Long-Term Debt (\$mill)	--	--	--	--	--	367.0	398.0	1991.0	237.0	119.0	120	130	Long-Term Debt (\$mill)	200
Shr. Equity (\$mill) ^E	--	--	--	--	--	2162.0	4899.0	11755	15470	36096	43000	47000	Shr. Equity (\$mill) ^E	60000
Return on Total Cap'l	--	--	--	--	--	24.3%	19.3%	6%	9.7%	8.2%	7.5%	9.0%	Return on Total Cap'l	14.0%
Return on Shr. Equity	--	--	--	--	--	28.0%	20.4%	5%	9.7%	8.1%	7.5%	9.0%	Return on Shr. Equity	14.0%
Retained to Com Eq	--	--	--	--	--	39.2%	23.3%	5%	9.7%	8.1%	7.5%	9.0%	Retained to Com Eq	14.0%
All Div'ds to Net Prof	--	--	--	--	--	--	--	--	--	--	Nil	Nil	All Div'ds to Net Prof	Nil

BUSINESS: Facebook, Inc. operates the world's leading social networking service through its flagship Web site. The company's Web-based tools allow users to connect and communicate with each other. Had about 1.55 billion monthly active users at 9/30/15. Generates nearly all revenue from advertising and from fees associated with its payments infrastructure. Had 9,199 full-time employees at 12/31/14. Officers and directors own 3.8% of Class A shares and 84.5% of Class B shares (includes Mark Zuckerberg, 75.5%); Dustin Moskovitz, 8.7% of Class B; Eduardo Saverin, 8.4% of Class B (4/15 Proxy). Chairman and CEO: Mark Zuckerberg, Inc.: DE. Address: 1601 Willow Road, Menlo Park, CA 94025. Telephone: 650-543-4800. Internet: www.facebook.com.

Shares of Facebook have rebounded nicely in price over the past couple of months, following a selloff in late August. The company has posted impressive revenue growth in recent periods, though greater operating costs have hurt share-earnings comparisons. The top line continues to benefit from growth in the user base. In the third quarter, monthly active users increased 14% on a year-to-year basis, and mobile monthly active users advanced 23%. Mobile advertising revenue comprised roughly 78% of total ad revenue, up from 66% in the second quarter of 2014.

The company's growth prospects appear favorable. Facebook is well positioned in the social networking space, and will probably further benefit from increasing worldwide Internet usage. Positive trends in member engagement are also promising. Growth in mobile advertising should remain the most important driver of performance. We anticipate healthy revenue growth from several different avenues, including the Instagram platform. As video consumption grows across the social network's vast user base, it should be

able to attract a greater percentage of companies' ad budgets. Targeted online video advertisements should increasingly appeal to marketers going forward. Facebook has been investing heavily in projects and newly acquired businesses in order to help these endeavors reach mass scale. Greater operating expenses associated with such investments ought to continue to constrain profitability in the near term, but we still look for solid share-net improvement going forward. Moreover, the aforementioned investments will probably contribute to profitable growth down the road.

This stock is ranked to outperform the broader equity market for the coming six to 12 months. We anticipate healthy growth in revenues and share earnings for the company in 2016, and over the pull to 2018-2020. However, this appears to be partly reflected in the recent quotation, and long-term capital appreciation potential is not compelling at this time. As a result, investors with a long term horizon may find more-attractive choices elsewhere.
 Michael Napoli, CFA November 13, 2015

(A) Diluted earnings. Next earnings report due late January. Earnings per share may not sum due to rounding.
 (B) In millions.

(C) Class A stock is entitled to one vote per share and Class B stock is entitled to ten votes per share.
 (D) Data pro forma.

(E) Includes intangibles. At 12/31/14, \$21,910 mill., \$7.83 per share.

Company's Financial Strength	A
Stock's Price Stability	15
Price Growth Persistence	NMF
Earnings Predictability	NMF

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