

Business English News 15: Facebook IPO

Discussion Questions

1. How much time each day/week do you spend on Facebook or other social networks?
2. Do you prefer Facebook to Twitter or LinkedIn? Why or why not?
3. Would you pay a monthly or annual fee to use Facebook? Why or why not?
4. Do you worry about your personal privacy when using social networking?

Transcript

The value of 'likes' and 'tags' grew **exponentially** when Facebook filed its **S-1 papers** last month. Facebook will launch an **Initial Public Offering (IPO)** in May, **paving the way for** 27-year old founder Mark Zuckerberg, his staff, and even a graffiti artist to become exceptionally wealthy. Mcleans Newspapers had this to say:

The public offering is set to make **millionaires** and **billionaires** of **early investors**, employees, and even the guy who painted the walls at the company's first Palo Alto, California office.

By **capitalizing off of a booming** online advertising and gaming market, Facebook hopes to continue to **cash in on** the advertising dollars that sit on the right side of each user's home page, **bringing in** billions of dollars annually. As reported by Marketwatch:

Through **sponsored** stories and ads, a business or group can pay to **highlight** certain posts from a user's friend network or other Facebook pages. IDC analyst Karsten Weide said advertising will probably remain Facebook's main **revenue source**, saying, "The **low-hanging fruit** is really advertising."

Facebook and its investors are **crossing their fingers** that users will continue to generate **big bucks** for them, while continuing to keep users happy; something the competition had a difficult time doing. As Readwriteweb recalled:

People who bought deals from Groupon loved the service, but advertisers **backed away** when they realized it wasn't generating the **repeat business** they had hoped for, and that made Wall Street **weary**. People love playing games on Zynga so much that they **can't be bothered** to click onto ads that **fuel** the company's **revenue model**.

The \$75 to \$100 billion **valuation** has many concerned about the **growth potential** of Facebook, wondering if we should be getting ready to see the **bubble burst**. As CNET commented:

Although Facebook's IPO filing points to it making some serious money (profit has more than **quadrupled** in the last two years), *growth* is reportedly slowing. The company will be successful for a long time, but the days of **hockey-stick growth** are over.

One Wall Street Daily analyst suggests that Facebook's **meteoric growth** is nearing an end, and that the global economic and employment situation is responsible for Facebook's rise since 2010.

The company went from 66 million users in early 2008 to 845 million today. That's more than a **tenfold increase!** Facebook enjoyed the highest **quarterly growth rates** when unemployment **spiked**. But as unemployment dropped, so did Facebook's growth rate. Coincidence? **Anomaly?** I think not!

Although its not yet publicly **traded**, Facebook is already a **blue chip stock** in many **private marketplaces** ahead of its public offering this spring when it begins trading under **the ticker 'FB'**. The Daily Herald remarked:

The **shareholder base** has grown to more than 1,000, compared with the 50 to 100 investors most companies have when they **go public**. **Private purchases** pushed Facebook's valuation past \$100 billion this month, possibly limiting **immediate gains** for IPO investors.

You may be asking yourself, "Is it possible for 'me' to invest?", and the short answer is 'no', probably not. Stocks for the **12-figure** company are currently only available for the **1%**. As explained by Gizmodo:

In a big IPO, institutional investors typically **nab** up to 90% of shares before **Joe Investor** can get involved. **Shares** will be available eventually, of course. Just as soon as the stock has risen enough that the **big dogs** feel comfortable **cashing out**.

Like it or not, the Facebook that nearly a billion people worldwide have grown to love, or hate, could **be in for** big changes in the months and years ahead. As Readwriteweb summarized:

From here on out, Facebook will be judged by its **share price, market cap, P/E ratio** and a whole host of other Wall Street **jargon...**

Vocabulary

Likes and Tags: Facebook-specific actions that allow users to express their interest or support of a comment or link on Facebook.

To grow exponentially: to grow at an extremely fast rate; "Sales in Brazil grew exponentially last year representing a 300% increase on 2010."

S-1 Papers: a Securities and Exchange Commission (SEC) filing used by public companies to register their securities. It contains the basic business and financial information of a company, allowing investors to make educated investment decisions.

Initial Public Offering (IPO): the first sale of stock by a company to the public allowing it to raise money/capital and be publically traded.

To pave the way for: to make it possible/easier for something to happen in the future; "The decision to merge the two companies paved the way for the staff to consider jobs in other cities."

Millionaires/billionaires: a person with assets of at least a million/billion dollars (or Pounds/Euro/etc).

Early investors: someone who invests in a company at the beginning of its creation or growth.

To capitalize off of: to benefit or gain advantage from something; "I was able to capitalize off of the mistakes of the other candidates, and got offered the job."

Boom: a period of rapid growth, development, or success (opposite: bust); "The oil and gas industry has been booming since the 1950s in Alberta, Canada."

To cash in on: to capitalize on, or benefit financially from something; "Online retailers have cashed in on the February 29th celebrations by offering big discounts to their customers."

To bring in: to generate or create; "By hiring Stephen for the new management job, he's able to bring in a lot more business connections."

Sponsored: provide funds or services for a project or activity in return for advertising possibilities; "Michael Jordan was sponsored by a lot of companies, including Nike, Gatorade, and Hanes Underwear."

To highlight; to emphasize or stress a period of time or event; "The purpose of a CV/résumé is to highlight you experience, education, and abilities."

Revenue source: the activity from which revenue or income is obtained.

Low-hanging fruit: a goal, target, or objective that is each to reach/achieve.

To cross one's fingers: a superstitious activity to wish for good luck or fortune, to hope; "Many university students in Spain are crossing their fingers that they will find a job in the near future."

Big bucks: a lot of money; "Marco will be making some big bucks now that he's the new CEO."

To keep someone happy: to satisfy or cause someone to be pleased; "Increasing profits is the best way to keep the bosses happy."

To back away (from): to move backwards from a person, thing, or idea; "By backing away from the negotiation, she saved the company a lot of future legal conflict."

Repeat business: continued financial or business activity with the same company or supplier.

Not be bothered (to do something): to have no energy or interest in performing an activity; "After working 60 hours this week, Jody couldn't be bothered to go to the gym."

To fuel: to support, stimulate, or encourage an activity or process; "His strong performance in the basketball match, fuelled his team to victory."

Revenue model: the process by which a company generates income.

Valuation: the process which determines the market value of a company or organization.

Growth potential: ability or capacity for a company to grow in terms of valuation, revenue/income, market share, etc.

Bubble burst: also known as a crash, a sudden (and often serious) decrease in stock or market value; "I hate to burst your bubble, but the iPad 3 may not be so different from the iPad 2."

Quadrupled: increase by a factor of 4, similar to double (2) or triple (3).

Hockey-stick growth: a period of rapid growth followed by a period of little or no growth; when placed on a chart/graph, it looks similar to an upside-down hockey stick.

Meteoric: resembling a meteor, very fast; "Her meteoric rise from an entry-level position to one of the top executives in just 5 years is something we could all learn from."

Tenfold increase: to increase/grow by a factor of 10; "New super high-speed internet will give users a tenfold increase in bandwidth, from 10 to 100 gigabytes per second!"

Quarterly growth rate: the speed at which a company increases its business from one quarter of the fiscal year to the next.

Spike: a sudden, short-term change in the price of a stock that quickly returns to its previous price; "The spread between German and Italian bonds spiked to nearly 550 points today, before returning to just under 500."

Anomaly: something that is opposite to what is considered normal or standard; "By having a female CEO, their company was an anomaly from the other male-run businesses."

To trade: to buy or sell shares in a company.

Blue chip stock: stock in a corporation with a reputation for quality, reliability and the ability to operate profitably in good times and bad; "The DOW Jones is the most popular index for following blue chip stocks."

Private marketplace: a market for stock and financial transactions that is only open to a select group of investors/individuals.

The ticker 'FB': a 'stock ticker' is a unique code of letters or numbers, which identifies a company on the stock exchange; for example 'BEP'.

Shareholder base: the number of people who own shares in a company. To go public: when a corporation issues shares of its stock to the open market for the first time.

Private purchases: when an investor buys shares in a privately-owned company, usually through an agent such as a broker.

Immediate gains: when an investor sees/receives a positive return on their investment in a very short time.

12-figure: the number of figures/digits in a number; "Peter was very excited to see the competition make him an 8-figure offer for his company."

1%: the highest income earners, or net worth individuals; "Protesters all over the world are asking for the 1% to pay more taxes."

To nab up: to take or buy something very quickly, or soon after it is available; "The silent film, The Artist, has nabbed up a lot of awards in recent weeks."

Joe Investor: similar to 'Joe Blow', meaning a common person or investor.

Shares: a unit of ownership in a company or corporation; "The news of Apple's iPad 3 release pushed shares to more than \$536."

Big dogs: the most important individuals; "All of the staff are waiting for the CEO and the other big dogs to make a decision about which direction they want to take the company."

To cash out: to take the money or reward earned from an effort or investment; "We cashed out just before the housing market crashed, and we made a very big profit."

From here on out: from now until the end of a determined period; "My exam is on April 20th, so I need to study a lot more from here on out."

To be in for something: to experience something positive or negative in the near future; "I bought us concert tickets... We're in for a treat tonight!"

Share price: the price of a single share in a company.

Market cap (capitalization): the value of an individual share multiplied by the number of outstanding shares.

P/E ratio: price to earnings ratio, a method of comparing the cost (price) of a share to the company's profit (earnings).

Jargon: particular words or expressions that are used by a particular profession or group; "Some people refer to legal jargon as 'legalese'."

Review Quiz

1. I won some _____ playing poker in Las Vegas last week!
 - a. Big dogs
 - b. Big bucks
 - c. Cash out
 - d. Cash in on

2. "We want to buy a new house, but we're worried that the _____."
 - a. Bubbles are burst
 - b. Bubble won't bursts
 - c. Bubble will burst
 - d. Burst bubble

3. "My new job is fantastic! I have great benefits, flexible hours, and a _____ salary!"
 - a. Customizable
 - b. Meteoric
 - c. Jargon
 - d. 6-figure

4. A recent power _____ caused their entire electrical system to fail.
 - a. Fuel
 - b. Attribute
 - c. Spike
 - d. Meteoric

5. Using the new Course Builder app, BEP members can make _____ courses based on their own needs and interests.
 - a. Customize
 - b. Sponsor
 - c. Anomaly
 - d. Jargon

6. After doing such a great job managing the project, Wei Li is _____ a big promotion at work.
 - a. Pave the way
 - b. Capitalize off
 - c. In for
 - d. Back away

7. The coffee shops success is because the take care of their regular clients. They have a lot of _____.
- a. Repeat business
 - b. Boom
 - c. Predecessors
 - d. Highlight
8. Dean kept _____ while he was waiting to hear if he made the basketball team.
- a. Them happy
 - b. Brought in
 - c. His fingers crossed
 - d. Couldn't be bothered
9. I got to the market early and I got to the market early and _____ a great deal on an antique table.
- a. Snapped on
 - b. Cashed out
 - c. Nabbed
 - d. Traded

Answers

Review Quiz

1. I won some _____ playing poker in Las Vegas last week!
b. Big bucks
2. "We want to buy a new house, but we're worried that the _____."
c. Bubble will burst
3. "My new job is fantastic! I have great benefits, flexible hours, and a _____ salary!"
d. 6-figure
4. A recent power _____ caused their entire electrical system to fail.
c. Spike
5. Using the new Course Builder app, BEP members can make _____ courses based on their own needs and interests.
d. Customized
6. After doing such a great job managing the project, Wei Li is _____ a big promotion at work.
c. In for
7. The coffee shops success is because the take care of their regular clients. They have a lot of _____.
a. Repeat business
8. Dean kept _____ while he was waiting to hear if he made the basketball team.
c. His fingers crossed
9. I got to the market early and _____ a great deal on an antique table.
c. Nabbed

Online Practice

Click the "Launch" button to open the **online practice**:

