

Facebook Inc
Form S-1/A
May 03, 2012
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As filed with the Securities and Exchange Commission on May 3, 2012

Registration No. 333-179287

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 5 to
Form S-1
REGISTRATION STATEMENT

Under

The Securities Act of 1933

Facebook, Inc.

(Exact name of Registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)

7370
(Primary Standard Industrial
Classification Code Number)

20-1665019
(IRS Employer
Identification No.)

Facebook, Inc.
1601 Willow Road
Menlo Park, California 94025
(650) 308-7300

(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

David A. Ebersman
Chief Financial Officer
Facebook, Inc.
1601 Willow Road
Menlo Park, California 94025
(650) 308-7300

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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(650) 988-8500

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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, check the following box: "

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer " Accelerated filer "
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company "

CALCULATION OF REGISTRATION FEE

Title of Each Class of	Amount to be	Proposed Maximum	Proposed Maximum	Amount of
Securities to be Registered	Registered(1)	Price Per Share	Offering Price(2)	Registration Fee(3)
Class A Common Stock, \$0.000006 par value	388,027,654	\$35.00	\$13,580,967,890	\$1,556,379

- (1) Estimated pursuant to Rule 457(a) under the Securities Act of 1933, as amended. Includes additional shares that the underwriters have the option to purchase to cover over-allotments, if any.
- (2) Estimated solely for the purpose of calculating the registration fee.
- (3) The Registrant previously paid \$573,000 of this amount in connection with the initial filing of this Registration Statement.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. Neither we nor the selling stockholders may sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and neither we nor the selling stockholders are soliciting offers to buy these securities in any jurisdiction where the offer or sale is not permitted.

PROSPECTUS (Subject to Completion)

Issued May 3, 2012

337,415,352 Shares

CLASS A COMMON STOCK

Facebook, Inc. is offering 180,000,000 shares of its Class A common stock and the selling stockholders are offering 157,415,352 shares of Class A common stock. We will not receive any proceeds from the sale of shares by the selling stockholders. This is our initial public offering and no public market currently exists for our shares of Class A common stock. We anticipate that the initial public offering price will be between \$28.00 and \$35.00 per share.

We have two classes of common stock, Class A common stock and Class B common stock. The rights of the holders of Class A common stock and Class B common stock are identical, except voting and conversion rights. Each share of Class A common stock is entitled to one vote. Each share of Class B common stock is entitled to ten votes and is convertible at any time into one share of Class A common stock. The holders of our outstanding shares of Class B common stock will hold approximately 96.3% of the voting power of our outstanding capital stock following this offering, and our founder, Chairman, and CEO, Mark Zuckerberg, will hold or have the ability to control approximately 57.3% of the voting power of our outstanding capital stock following this offering.

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We have applied to list our Class A common stock on the NASDAQ Global Select Market under the symbol *FB*.

We are a controlled company under the corporate governance rules for NASDAQ-listed companies, and our board of directors has determined not to have an independent nominating function and instead to have the full board of directors be directly responsible for nominating members of our board.

Investing in our Class A common stock involves risks. See Risk Factors beginning on page 12.

PRICE \$ A SHARE

	<i>Underwriting</i>			
	<i>Price to</i>	<i>Discounts and</i>	<i>Proceeds to</i>	<i>Proceeds to</i>
	<i>Public</i>	<i>Commissions</i>	<i>Facebook</i>	<i>Selling</i>
	\$	\$	\$	\$
<i>Per share</i>				
<i>Total</i>	\$	\$	\$	\$

We and the selling stockholders have granted the underwriters the right to purchase up to an additional 50,612,302 shares of Class A common stock to cover over-allotments.

The Securities and Exchange Commission and state regulators have not approved or disapproved of these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares of Class A common stock to purchasers on _____, 2012.

MORGAN STANLEY

J.P. MORGAN

GOLDMAN, SACHS & CO.

BofA MERRILL LYNCH

BARCLAYS

ALLEN & COMPANY LLC

CITIGROUP

CREDIT SUISSE

DEUTSCHE BANK SECURITIES

RBC CAPITAL MARKETS

WELLS FARGO SECURITIES

, 2012

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Neither we, nor the selling stockholders, nor the underwriters, have authorized anyone to provide any information or to make any representations other than those contained in this prospectus or in any free writing prospectuses we have prepared. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. We and the selling stockholders are offering to sell, and seeking offers to buy, shares of our Class A common stock only in jurisdictions where offers and sales are permitted. The information in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or any sale of shares of our Class A common stock. Our business, financial condition, results of operations, and prospects may have changed since that date.

The information in this preliminary prospectus is not complete and is subject to change. No person should rely on the information contained in this document for any purpose other than participating in our proposed initial public offering, and only the preliminary prospectus issued May 3, 2012, is authorized by us to be used in connection with our proposed initial public offering. The preliminary prospectus will only be distributed by us and the underwriters named herein and no other person has been authorized by us to use this document to offer or sell any of our securities.

Until _____, 2012 (25 days after the commencement of our initial public offering), all dealers that buy, sell, or trade shares of our Class A common stock, whether or not participating in our initial public offering, may be required to deliver a prospectus. This delivery requirement is in addition to the obligation of dealers to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

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For investors outside the United States: Neither we, nor the selling stockholders, nor the underwriters have done anything that would permit our initial public offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States. Persons outside the United States who come into possession of this prospectus must inform themselves about, and observe any restrictions relating to, the offering of the shares of our Class A common stock and the distribution of this prospectus outside of the United States.

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PROSPECTUS SUMMARY

This summary highlights information contained in greater detail elsewhere in this prospectus. This summary is not complete and does not contain all of the information you should consider in making your investment decision. You should read the entire prospectus carefully before making an investment in our Class A common stock. You should carefully consider, among other things, our consolidated financial statements and the related notes and the sections entitled Risk Factors and Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this prospectus.

FACEBOOK, INC.

Our mission is to make the world more open and connected.

People use Facebook to stay connected with their friends and family, to discover what is going on in the world around them, and to share and express what matters to them to the people they care about.

Developers can use the Facebook Platform to build applications (apps) and websites that integrate with Facebook to reach our global network of users and to build products that are more personalized, social, and engaging.

Advertisers can engage with more than 900 million monthly active users (MAUs) on Facebook or subsets of our users based on information they have chosen to share with us such as their age, location, gender, or interests. We offer advertisers a unique combination of reach, relevance, social context, and engagement to enhance the value of their ads.

We believe that we are at the forefront of enabling faster, easier, and richer communication between people and that Facebook has become an integral part of many of our users' daily lives. We have experienced rapid growth in the number of users and their engagement.

We had 901 million MAUs as of March 31, 2012, an increase of 33% as compared to 680 million MAUs as of March 31, 2011.

We had 526 million daily active users (DAUs) on average in March 2012, an increase of 41% as compared to 372 million DAUs in March 2011.

We had 488 million MAUs who used Facebook mobile products in March 2012.

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There were more than 125 billion friend connections on Facebook as of March 31, 2012.

Our users generated an average of 3.2 billion Likes and Comments per day during the first quarter of 2012.

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For a description of how we calculate our MAUs and DAUs and factors that can affect these metrics, see [Industry Data and User Metrics](#) and [Management's Discussion and Analysis of Financial Condition and Results of Operations - Trends in Our User Metrics](#).

How We Create Value for Users

Our top priority is to build useful and engaging products that enable you to:

Connect with Your Friends. With more than 900 million MAUs worldwide, our users are increasingly able to find and stay connected with their friends, family, and colleagues on Facebook.

Discover and Learn. We believe that users come to Facebook to discover and learn more about what is going on in the world around them, particularly in the lives of their friends and family and with public figures and organizations that interest them.

Express Yourself. We enable our users to share and publish their opinions, ideas, photos, and activities to audiences ranging from their closest friends to our 900 million users, giving every user a voice within the Facebook community.

Control What You Share. Through Facebook's privacy and sharing settings, our users can control what they share and with whom they share it.

Experience Facebook Across the Web. Through apps and websites built by developers using the Facebook Platform, our users can interact with their Facebook friends while playing games, listening to music, watching movies, reading news, and engaging in other activities.

Stay Connected with Your Friends on Mobile Devices. Through the combination of our mobile sites, smartphone apps, and feature phone products, users can bring Facebook with them on mobile devices wherever they go.

Foundations of the Social Web

We believe that the web, including the mobile web, is evolving to become more social and personalized. This evolution is creating more rewarding experiences that are centered on people, their connections, and their interests. We believe that the following elements form the foundation of the social web:

Authentic Identity. We believe that using your real name, connecting to your real friends, and sharing your genuine interests online create more engaging and meaningful experiences. Representing yourself with your authentic identity online encourages you to behave with the same norms that foster trust and respect in your daily life offline. Authentic identity is core to the Facebook experience, and we believe that it is central to the future of the web. Our terms of service require you to use your real name and we encourage you to be your true self online, enabling us and Platform developers to provide you with more personalized experiences.

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Social Graph. The Social Graph represents the connections between people and their friends and interests. Every person or entity is represented by a point within the graph, and the affiliations between people and their friends and interests form billions of connections between the points. Our mapping of the Social Graph enables Facebook and Platform developers to build more engaging user experiences that are based on these connections.

Social Distribution. Over time, people are consuming and creating more kinds of information at a faster pace across a broader range of devices. The growing volume of information makes it challenging to find meaningful and trusted content and to effectively make your voice heard. Facebook organizes and prioritizes content and serves as a powerful social distribution tool delivering to users what we believe they will find most compelling based on their friends and interests.

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How We Create Value for Developers Through the Facebook Platform

The Facebook Platform is a set of development tools and application programming interfaces (APIs) that enables developers to easily integrate with Facebook to create social apps and websites and to reach our 900 million users. Platform developers build experiences that allow our users to connect and share with friends while engaging in a wide range of activities. Platform developers range from a student on his or her computer at home to teams of programmers at leading websites. We are focused on the growth and success of Platform developers by enabling:

Personalized and Social Experiences. We enable Platform developers to create better products that are personalized and social and that offer new ways for our users to engage with friends and share experiences across the web and on mobile devices. For example, a Facebook user can visit the Pandora website and immediately begin listening to a personalized radio station that is customized based on the bands the user Likes on Facebook.

Social Distribution. We enable Platform developers to reach our global user base and use our social distribution channels to increase traffic to their apps and websites.

Payments. We provide an online payments infrastructure that enables Platform developers to receive payments from our users in an easy-to-use, secure, and trusted environment.

How We Create Value for Advertisers and Marketers

We offer advertisers and marketers a unique combination of reach, relevance, social context, and engagement:

Reach. With over 900 million MAUs, Facebook offers the ability to reach a vast consumer audience with our advertising solutions.

Relevance. Advertisers can specify that we show their ads to a subset of our users based on demographic factors and specific interests that they have chosen to share with us on Facebook or by using the Like button around the web. We allow advertisers to select relevant and appropriate audiences for their ads, ranging from millions of users in the case of global brands to hundreds of users in the case of smaller, local businesses.

Social Context. We believe that the recommendations of friends have a powerful influence on consumer interest and purchase decisions. We offer advertisers the ability to include social context with their marketing messages. Social context is information that highlights a friend's connections with a particular brand or business, for example, that a friend Liked a product or checked in at a restaurant. We believe that users find marketing messages more engaging when they include social context.

Engagement. We believe that the shift to a more social web creates new opportunities for businesses to engage with interested customers. Any brand or business can create a Facebook Page to stimulate an ongoing dialog with our users.

Our Market Opportunity

Our Advertising Market Opportunity

Advertisers' objectives range from building long-term brand awareness to stimulating an immediate purchase. We offer advertising solutions that are designed to be more engaging and relevant for users in order to help advertisers better achieve their goals. Facebook's combination of reach, relevance, social context, and engagement gives advertisers enhanced opportunities to generate brand awareness and affiliation, while also creating new ways to generate near-term demand for their products from consumers likely to have purchase

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intent. According to an IDC report dated August 2011, total worldwide advertising spending in 2010 was \$588 billion. Our addressable market opportunity includes portions of many existing advertising markets, including the traditional offline branded advertising, online display advertising, online performance-based advertising, and mobile advertising markets.

Advertising on the social web is a significant market opportunity that is still emerging and evolving. We believe that most advertisers are still learning and experimenting with the best ways to leverage Facebook to create more social and valuable ads.

Our Market Opportunity for Payments

When users purchase virtual and digital goods from our Platform developers using our Payments infrastructure, we receive fees that represent a portion of the transaction value. Currently, substantially all of the Payments transactions between our users and Platform developers are for virtual goods used in social games. According to an NPD In-Stat report dated April 2012, the worldwide revenue generated from the sale of virtual goods on social networking sites, online worlds, and casual games was \$9 billion in 2011, and is forecasted to increase to \$14 billion by 2016. We currently require Payments integration in games on Facebook, and we may seek to extend the use of Payments to other types of apps in the future.

Our Strategy

We are in the early days of pursuing our mission to make the world more open and connected. We have a significant opportunity to further enhance the value we deliver to users, developers, and advertisers. Key elements of our strategy are:

Expand Our Global User Community. We continue to focus on growing our user base across all geographies, including relatively less-penetrated, large markets such as Brazil, Germany, India, Japan, Russia, and South Korea. We intend to grow our user base by continuing our marketing and user acquisition efforts and enhancing our products, including mobile apps, in order to make Facebook more accessible and useful.

Build Great Social Products to Increase Engagement. We prioritize product development investments that we believe will create engaging interactions between our users, developers, and advertisers on Facebook, across the web, and on mobile devices. We continue to invest significantly in improving our core products such as News Feed, Photos, and Groups, developing new products such as Timeline and Ticker, and enabling new Platform apps and website integrations.

Provide Users with the Most Compelling Experience. Facebook users are sharing and receiving more information across a broader range of devices. To provide the most compelling user experience, we continue to develop products and technologies focused on optimizing our social distribution channels to deliver the most useful content to each user by analyzing and organizing vast amounts of information in real time.

Build Engaging Mobile Experiences. We are devoting substantial resources to developing engaging mobile products and experiences for a wide range of platforms, including smartphones and feature phones. In addition, we are working across the mobile industry with operators, hardware manufacturers, operating system providers, and developers to improve the Facebook experience on mobile devices and make Facebook available to more people around the world. We believe that mobile usage of Facebook is critical to maintaining user growth and engagement over the long term.

Enable Developers to Build Great Social Products Using the Facebook Platform. The success of our Platform developers and the vibrancy of our Platform ecosystem are key to increasing user engagement.

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We continue to invest in tools and APIs that enhance the ability of Platform developers to deliver products that are more social and personalized and better engage users on Facebook, across the web, and on mobile devices. Additionally, we plan to invest in enhancing our Payments offerings and in making the Payments experience on Facebook as convenient as possible for users and Platform developers.

Improve Ad Products for Advertisers and Users. We plan to continue to improve our ad products in order to create more value for advertisers and enhance their ability to make their advertising more social and relevant for users. Our advertising strategy centers on the belief that ad products that are social, relevant, and well-integrated with other content on Facebook can enhance the user experience while providing an attractive return for advertisers. We intend to invest in additional products for our advertisers and marketers while continuing to balance our monetization objectives with our commitment to optimizing the user experience.

Summary Risk Factors

Our business is subject to numerous risks described in the section entitled **Risk Factors** and elsewhere in this prospectus. You should carefully consider these risks before making an investment. Some of these risks include:

If we fail to retain existing users or add new users, or if our users decrease their level of engagement with Facebook, our revenue, financial results, and business may be significantly harmed;

We generate a substantial majority of our revenue from advertising. The loss of advertisers, or reduction in spending by advertisers with Facebook, could seriously harm our business;

Growth in use of Facebook through our mobile products, where our ability to monetize is unproven, as a substitute for use on personal computers may negatively affect our revenue and financial results;

Facebook user growth and engagement on mobile devices depend upon effective operation with mobile operating systems, networks, and standards that we do not control;

We may not be successful in our efforts to grow and further monetize the Facebook Platform;

Our business is highly competitive, and competition presents an ongoing threat to the success of our business;

Improper access to or disclosure of our users' information, or violation of our terms of service or policies, could harm our reputation and adversely affect our business;

Our business is subject to complex and evolving U.S. and foreign laws and regulations regarding privacy, data protection, and other matters. Many of these laws and regulations are subject to change and uncertain interpretation, and could harm our business;

Our CEO has control over key decision making as a result of his control of a majority of our voting stock;

The loss of Mark Zuckerberg, Sheryl K. Sandberg, or other key personnel could harm our business;

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We anticipate that we will expend substantial funds in connection with tax withholding and remittance obligations related to the initial settlement of our restricted stock units (RSUs);

The market price of our Class A common stock may be volatile or may decline, and you may not be able to resell your shares at or above the initial public offering price; and

Substantial blocks of our total outstanding shares may be sold into the market as lock-up periods end, as further described in Shares Eligible for Future Sale. If there are substantial sales of shares of our common stock, the price of our Class A common stock could decline.

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Mr. Zuckerberg's Voting Rights and Our Status as a Controlled Company

Mr. Zuckerberg, who after our initial public offering will control approximately 57.3% of the voting power of our outstanding capital stock, will have the ability to control the outcome of matters submitted to our stockholders for approval, including the election of our directors, as well as the overall management and direction of our company. In the event of his death, the shares of our capital stock that Mr. Zuckerberg owns will be transferred to the persons or entities that he designates.

Because Mr. Zuckerberg controls a majority of our outstanding voting power, we are a controlled company under the corporate governance rules for NASDAQ-listed companies. Therefore, we are not required to have a majority of our board of directors be independent, nor are we required to have a compensation committee or an independent nominating function. In light of our status as a controlled company, our board of directors has determined not to have an independent nominating function and to have the full board of directors be directly responsible for nominating members of our board.

Corporate Information

We were incorporated in Delaware in July 2004. Unless expressly indicated or the context requires otherwise, the terms Facebook, company, we, us, and our in this prospectus refer to Facebook, Inc., a Delaware corporation, and, where appropriate, its wholly-owned subsidiaries. The term Facebook may also refer to our products, regardless of the manner in which they are accessed. Our principal executive offices are located at 1601 Willow Road, Menlo Park, California 94025, and our telephone number is (650) 308-7300. Our website address is www.facebook.com. The information on or that can be accessed through our website is not part of this prospectus.

Facebook, the Facebook logo, FB, the Like Button, f8, and our other registered or common law trademarks, service marks, or trade names appearing in this prospectus are the property of Facebook, Inc. Other trademarks, service marks, or trade names appearing in this prospectus are the property of their respective owners.

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Class A common stock offered

By us	180,000,000 shares
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By the selling stockholders	157,415,352 shares
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Total	337,415,352 shares
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Class A common stock to be outstanding after our initial public offering	598,396,119 shares
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Class B common stock to be outstanding after our initial public offering	1,539,688,918 shares
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Total Class A and Class B common stock to be outstanding after our initial public offering	2,138,085,037 shares
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Over-allotment option of Class A common stock offered

By us	6,029,988 shares
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By the selling stockholders	44,582,314 shares
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Total	50,612,302 shares
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Use of proceeds

We estimate that our net proceeds from the sale of the Class A common stock that we are offering will be approximately \$5.6 billion, assuming an initial public offering price of \$31.50 per share, which is the midpoint of the price range on the cover page of this prospectus, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

The principal purposes of our initial public offering are to create a public market for our Class A common stock and thereby enable future access to the public equity markets by us and our employees, obtain additional capital, and facilitate an orderly distribution of shares for the selling stockholders. We intend to use the net proceeds to us from our initial public offering for working capital and other general corporate purposes; however we do not have any specific uses of the net proceeds planned. We may use some of the net proceeds to us to satisfy a portion of the anticipated tax withholding and remittance obligations related to the initial settlement of our outstanding RSUs. Additionally, we may use a portion of the proceeds to us for acquisitions of complementary businesses, technologies, or other assets.

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We will not receive any proceeds from the sale of shares of Class A common stock by the selling stockholders. In connection with our initial public

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offering, Mark Zuckerberg, our founder, Chairman, and CEO, will exercise an outstanding stock option with respect to 60,000,000 shares of Class B common stock and will then offer 30,200,000 of those shares as Class A common stock in our initial public offering. We expect that the substantial majority of the net proceeds Mr. Zuckerberg will receive upon such sale will be used to satisfy taxes that he will incur in connection with the option exercise. See Use of Proceeds.

Voting rights

Shares of Class A common stock are entitled to one vote per share.

Shares of Class B common stock are entitled to ten votes per share.

Holders of our Class A common stock and Class B common stock will generally vote together as a single class, unless otherwise required by law. Mr. Zuckerberg, who after our initial public offering will control more than 57.3% of the voting power of our outstanding capital stock, will have the ability to control the outcome of matters submitted to our stockholders for approval, including the election of our directors. See Description of Capital Stock.

Proposed NASDAQ Global Select Market symbol

FB

The number of shares of Class A and Class B common stock to be outstanding after our initial public offering includes: (i) 117,549,393 shares of our Class A common stock and 1,780,535,644 shares of our Class B common stock outstanding as of March 31, 2012; and (ii) the issuance of 60,000,000 shares of our Class B common stock upon the partial exercise by Mr. Zuckerberg of an outstanding stock option to purchase 120,000,000 shares of our Class B common stock and the automatic conversion of 30,200,000 of those shares into an equivalent number of shares of Class A common stock upon their sale in our initial public offering, and excludes:

116,756,442 shares of Class B common stock issuable upon the exercise of options outstanding as of March 31, 2012 under our 2005 Stock Plan, with a weighted-average exercise price of approximately \$0.94 per share;

60,000,000 shares of Class B common stock issuable upon the exercise of the remaining portion of an option held by Mr. Zuckerberg, with an exercise price of \$0.06 per share;

378,429,048 shares of Class B common stock subject to RSUs outstanding as of March 31, 2012 under our 2005 Stock Plan;

22,999,412 shares of common stock issuable upon completion of our acquisition of Instagram, Inc.;

25,257,815 shares of Class B common stock subject to RSUs granted under our 2005 Stock Plan and 40,000 shares of Class A common stock issued between April 1, 2012 and May 3, 2012; and

77,466,293 shares of our common stock reserved for future issuance under our equity compensation plans, consisting of 25,000,000 shares of Class A common stock reserved for issuance under our 2012 Equity Incentive Plan, and 52,466,293 shares of Class B common stock reserved as of March 31, 2012

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for issuance under our 2005 Stock Plan (which reserve includes the 25,257,815 shares of Class B common stock subject to RSUs granted after March 31, 2012). On the date of this prospectus, any remaining shares available for issuance under our 2005 Stock Plan will be added to the shares reserved under our 2012 Equity Incentive Plan and we will cease granting awards under the 2005 Stock Plan. Our 2012 Equity Incentive Plan also provides for automatic annual increases in the number of shares reserved thereunder and for increases based on forfeited or withheld shares and other events, as more fully described in Executive Compensation Employee Benefit Plans.

Unless expressly indicated or the context requires otherwise, all information in this prospectus assumes:

the conversion of all outstanding shares of our convertible preferred stock as of March 31, 2012 into 545,401,443 shares of Class B common stock in connection with our initial public offering;

the automatic conversion of 121,788,489 shares of our Class B common stock into an equivalent number of shares of our Class A common stock upon their sale by the selling stockholders in our initial public offering;

the conversion by certain of our existing stockholders pursuant to contractual agreements of an aggregate of 179,058,237 shares of our Class B common stock into an equivalent number of shares of our Class A common stock in connection with our initial public offering;

no exercise by the underwriters of their right to purchase up to an additional 50,612,302 shares of Class A common stock from us and the selling stockholders to cover over-allotments; and

the filing of our restated certificate of incorporation and the effectiveness of our restated bylaws in connection with our initial public offering.

Table of Contents**SUMMARY CONSOLIDATED FINANCIAL DATA**

The following table summarizes our consolidated financial data. We have derived the summary consolidated statements of income data for the years ended December 31, 2009, 2010, and 2011 from our audited consolidated financial statements included elsewhere in this prospectus. The consolidated statements of income data for the three months ended March 31, 2011 and 2012, and the consolidated balance sheet data as of March 31, 2012 have been derived from our unaudited consolidated financial statements appearing elsewhere in this prospectus. In our opinion, such financial statements include all adjustments, consisting only of normal recurring adjustments, that we consider necessary for a fair presentation of the financial information set forth in those statements. Our historical results are not necessarily indicative of our results in any future period. The summary of our consolidated financial data set forth below should be read together with our consolidated financial statements and the related notes, as well as the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations," included elsewhere in this prospectus.

	Year Ended December 31,			Three Months Ended	
	2009	2010	2011	2011	2012
(in millions, except per share data)					
Consolidated Statements of Income Data:					
Revenue	\$ 777	\$ 1,974	\$ 3,711	\$ 731	\$ 1,058
Costs and expenses ⁽¹⁾ :					
Cost of revenue	223	493	860	167	277
Marketing and sales	115	184	427	68	159
Research and development	87	144	388	57	153
General and administrative	90	121	280	51	88
Total costs and expenses	515	942	1,955	343	677
Income from operations	262	1,032	1,756	388	381
Interest and other income (expense), net	(8)	(24)	(61)	10	1
Income before provision for income taxes	254	1,008	1,695	398	382
Provision for income taxes	25	402	695	165	177
Net income	\$ 229	\$ 606	\$ 1,000	\$ 233	\$ 205
Net income attributable to Class A and Class B common stockholders	\$ 122	\$ 372	\$ 668	\$ 153	\$ 137
Earnings per share attributable to Class A and Class B common stockholders⁽²⁾:					
Basic	\$ 0.12	\$ 0.34	\$ 0.52	\$ 0.12	\$ 0.10
Diluted	\$ 0.10	\$ 0.28	\$ 0.46	\$ 0.11	\$ 0.09
Pro forma earnings per share attributable to Class A and Class B common stockholders⁽²⁾:					
Basic			\$ 0.49		\$ 0.10
Diluted			\$ 0.43		\$ 0.09

(1) Costs and expenses in 2009, 2010, and 2011 and the first quarter of 2011 and 2012 include share-based compensation expense of \$27 million, \$20 million, \$217 million, \$7 million, and \$103 million, respectively, as follows:

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	Year Ended December 31,			Three Months Ended March 31,	
	2009	2010	2011	2011	2012
	(in millions)				
Cost of revenue	\$	\$	\$ 9	\$	\$ 4
Marketing and sales	2	2	43		23
Research and development	6	9	114	4	60
General and administrative	19	9	51	3	16
Total share-based compensation expense	\$ 27	\$ 20	\$ 217	\$ 7	\$ 103

- (2) See note 2 of the notes to our consolidated financial statements for a description of how we compute basic and diluted earnings per share attributable to Class A and Class B common stockholders and pro forma basic and diluted earnings per share attributable to Class A and Class B common stockholders.

	March 31, 2012		
	Actual	Pro Forma ⁽¹⁾ (in millions)	Pro Forma As Adjusted ⁽²⁾⁽³⁾
Consolidated Balance Sheet Data:			
Cash, cash equivalents, and marketable securities	\$ 3,910	\$3,910	\$ 9,511
Working capital	3,655	3,980	9,581
Property and equipment, net	1,855	1,855	1,855
Total assets	6,859	7,184	12,785
Total liabilities	1,587	1,587	1,587
Additional paid-in capital	2,853	4,433	10,034
Retained earnings	1,811	1,171	1,171
Total stockholders' equity	5,272	5,597	11,198

- (1) The pro forma consolidated balance sheet data as of March 31, 2012 presents our consolidated balance sheet data to give effect to the automatic conversion of all of our outstanding shares of convertible preferred stock into shares of Class B common stock and to also give effect to a share-based compensation expense of approximately \$965 million associated with RSUs granted prior to 2011, for which the service condition was satisfied as of March 31, 2012 and which we expect to record upon completion of our initial public offering, as further described in Management's Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies and Estimates Share-based Compensation. The pro forma adjustment related to share-based compensation expense of approximately \$965 million has been reflected as an increase to additional paid-in capital and the associated tax effect of \$325 million has been netted against this charge, resulting in a net reduction of \$640 million to retained earnings. The income tax effects have been reflected as an increase to deferred tax assets included in prepaid expenses and other current assets, to reflect the anticipated future tax benefits upon settlement of these RSUs.
- (2) The pro forma as adjusted consolidated balance sheet data reflects the items described in footnote (1) above and gives effect to our receipt of estimated net proceeds from the sale of shares of Class A common stock that we are offering at an assumed initial public offering price of the Class A common stock of \$31.50 per share, the midpoint of the price range on the cover page of this prospectus, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. A \$1.00 increase (decrease) in the assumed initial public offering price of \$31.50 per share would increase (decrease) each of cash, cash equivalents, and marketable securities, working capital, total assets, additional paid-in capital, and total stockholders' equity by \$178 million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting the estimated underwriting discounts and commissions.
- (3) The pro forma as adjusted data discussed above is illustrative only and will be adjusted based on the actual initial public offering price and other terms of our initial public offering determined at pricing.

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RISK FACTORS

Investing in our Class A common stock involves a high degree of risk. You should consider carefully the risks and uncertainties described below, together with all of the other information in this prospectus, including the consolidated financial statements and the related notes included elsewhere in this prospectus, before deciding whether to invest in shares of our Class A common stock. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, may also become important factors that adversely affect our business. If any of the following risks actually occurs, our business, financial condition, results of operations, and future prospects could be materially and adversely affected. In that event, the market price of our Class A common stock could decline, and you could lose part or all of your investment.

Risks Related to Our Business and Industry

If we fail to retain existing users or add new users, or if our users decrease their level of engagement with Facebook, our revenue, financial results, and business may be significantly harmed.

The size of our user base and our users' level of engagement are critical to our success. We had 901 million monthly active users (MAUs) as of March 31, 2012. Our financial performance has been and will continue to be significantly determined by our success in adding, retaining, and engaging active users. We anticipate that our active user growth rate will decline over time as the size of our active user base increases, and as we achieve higher market penetration rates. To the extent our active user growth rate slows, our business performance will become increasingly dependent on our ability to increase levels of user engagement in current and new markets. If people do not perceive our products to be useful, reliable, and trustworthy, we may not be able to attract or retain users or otherwise maintain or increase the frequency and duration of their engagement. A number of other social networking companies that achieved early popularity have since seen their active user bases or levels of engagement decline, in some cases precipitously. There is no guarantee that we will not experience a similar erosion of our active user base or engagement levels. A decrease in user retention, growth, or engagement could render Facebook less attractive to developers and advertisers, which may have a material and adverse impact on our revenue, business, financial condition, and results of operations. Any number of factors could potentially negatively affect user retention, growth, and engagement, including if:

users increasingly engage with competing products;

we fail to introduce new and improved products or if we introduce new products or services that are not favorably received;

we are unable to successfully balance our efforts to provide a compelling user experience with the decisions we make with respect to the frequency, prominence, and size of ads and other commercial content that we display;

we are unable to continue to develop products for mobile devices that users find engaging, that work with a variety of mobile operating systems and networks, and that achieve a high level of market acceptance;

there are changes in user sentiment about the quality or usefulness of our products or concerns related to privacy and sharing, safety, security, or other factors;

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we are unable to manage and prioritize information to ensure users are presented with content that is interesting, useful, and relevant to them;

there are adverse changes in our products that are mandated by legislation, regulatory authorities, or litigation, including settlements or consent decrees;

technical or other problems prevent us from delivering our products in a rapid and reliable manner or otherwise affect the user experience;

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we adopt policies or procedures related to areas such as sharing or user data that are perceived negatively by our users or the general public;

we fail to provide adequate customer service to users, developers, or advertisers;

we, our Platform developers, or other companies in our industry are the subject of adverse media reports or other negative publicity; or

our current or future products, such as the Facebook Platform, reduce user activity on Facebook by making it easier for our users to interact and share on third-party websites.

If we are unable to maintain and increase our user base and user engagement, our revenue, financial results, and future growth potential may be adversely affected.

We generate a substantial majority of our revenue from advertising. The loss of advertisers, or reduction in spending by advertisers with Facebook, could seriously harm our business.

The substantial majority of our revenue is currently generated from third parties advertising on Facebook. In 2009, 2010, and 2011 and the first quarter of 2011 and 2012, advertising accounted for 98%, 95%, 85%, 87%, and 82%, respectively, of our revenue. As is common in the industry, our advertisers typically do not have long-term advertising commitments with us. Many of our advertisers spend only a relatively small portion of their overall advertising budget with us. In addition, advertisers may view some of our products, such as sponsored stories and ads with social context, as experimental and unproven. Advertisers will not continue to do business with us, or they will reduce the prices they are willing to pay to advertise with us, if we do not deliver ads and other commercial content in an effective manner, or if they do not believe that their investment in advertising with us will generate a competitive return relative to other alternatives. Our advertising revenue could be adversely affected by a number of other factors, including:

decreases in user engagement, including time spent on Facebook;

increased user access to and engagement with Facebook through our mobile products, where we do not currently directly generate meaningful revenue, particularly to the extent that mobile engagement is substituted for engagement with Facebook on personal computers where we monetize usage by displaying ads and other commercial content;

product changes or inventory management decisions we may make that reduce the size, frequency, or relative prominence of ads and other commercial content displayed on Facebook;

our inability to improve our analytics and measurement solutions that demonstrate the value of our ads and other commercial content;

decisions by advertisers to use our free products, such as Facebook Pages, instead of advertising on Facebook;

loss of advertising market share to our competitors;

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adverse legal developments relating to advertising, including legislative and regulatory developments and developments in litigation;

adverse media reports or other negative publicity involving us, our Platform developers, or other companies in our industry;

our inability to create new products that sustain or increase the value of our ads and other commercial content;

the degree to which users opt out of social ads or otherwise limit the potential audience of commercial content;

changes in the way online advertising is priced;

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the impact of new technologies that could block or obscure the display of our ads and other commercial content; and

the impact of macroeconomic conditions and conditions in the advertising industry in general.

The occurrence of any of these or other factors could result in a reduction in demand for our ads and other commercial content, which may reduce the prices we receive for our ads and other commercial content, or cause advertisers to stop advertising with us altogether, either of which would negatively affect our revenue and financial results.

Growth in use of Facebook through our mobile products, where our ability to monetize is unproven, as a substitute for use on personal computers may negatively affect our revenue and financial results.

We had 488 million MAUs who used Facebook mobile products in March 2012. While most of our mobile users also access Facebook through personal computers, we anticipate that the rate of growth in mobile usage will exceed the growth in usage through personal computers for the foreseeable future, in part due to our focus on developing mobile products to encourage mobile usage of Facebook. We have historically not shown ads to users accessing Facebook through mobile apps or our mobile website. In March 2012, we began to include sponsored stories in users' mobile News Feeds. However, we do not currently directly generate any meaningful revenue from the use of Facebook mobile products, and our ability to do so successfully is unproven. Accordingly, if users increasingly access Facebook mobile products as a substitute for access through personal computers, and if we are unable to successfully implement monetization strategies for our mobile users, or if we incur excessive expenses in this effort, our financial performance and ability to grow revenue would be negatively affected.

Facebook user growth and engagement on mobile devices depend upon effective operation with mobile operating systems, networks, and standards that we do not control.

There is no guarantee that popular mobile devices will continue to feature Facebook, or that mobile device users will continue to use Facebook rather than competing products. We are dependent on the interoperability of Facebook with popular mobile operating systems that we do not control, such as Android and iOS, and any changes in such systems that degrade our products' functionality or give preferential treatment to competitive products could adversely affect Facebook usage on mobile devices. Additionally, in order to deliver high quality mobile products, it is important that our products work well with a range of mobile technologies, systems, networks, and standards that we do not control. We may not be successful in developing relationships with key participants in the mobile industry or in developing products that operate effectively with these technologies, systems, networks, or standards. In the event that it is more difficult for our users to access and use Facebook on their mobile devices, or if our users choose not to access or use Facebook on their mobile devices or use mobile products that do not offer access to Facebook, our user growth and user engagement could be harmed.

We may not be successful in our efforts to grow and further monetize the Facebook Platform.

We have made and are continuing to make major investments to enable developers to build applications (apps) and websites that integrate with the Facebook Platform. Existing and prospective Platform developers may not be successful in building apps or websites that create and maintain user engagement. Additionally, developers may choose to build on other platforms, including mobile platforms controlled by third parties, rather than building on the Facebook Platform. We are continuously seeking to balance the distribution objectives of our Platform developers with our desire to provide an optimal user experience, and we may not be successful in achieving a balance that continues to attract and retain Platform developers. From time to time, we have taken actions to reduce the volume of communications from apps to users on Facebook with the objective of enhancing the user experience, and such actions have reduced distribution from, user engagement with, and our

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monetization opportunities from, apps on Facebook. In some instances, these actions have adversely affected our relationships with Platform developers. If we are not successful in our efforts to grow our Platform or if we are

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unable to build and maintain good relations with Platform developers, our user growth and user engagement and our financial results may be adversely affected.

Additionally, we may not be successful in further monetizing the Facebook Platform. We currently monetize the Facebook Platform in several ways, including ads on pages generated by apps on Facebook, direct advertising on Facebook purchased by Platform developers to drive traffic to their apps and websites, and fees from our Platform developers' use of our Payments infrastructure to sell virtual and digital goods to users. Apps built by developers of social games, particularly Zynga, are currently responsible for substantially all of our revenue derived from Payments. In addition, a relatively small percentage of our users have transacted with Facebook Payments. For example, in 2011, approximately 15 million users purchased virtual goods using Facebook Payments. If the Platform apps that currently generate revenue fail to grow or maintain their users and engagement, if Platform developers do not continue to introduce new apps that attract users and create engagement, if Platform developers reduce their advertising on Facebook, if we fail to maintain good relationships with Platform developers or attract new developers, or if Platform apps outside of social games do not gain popularity and generate significant revenue, our financial performance and ability to grow revenue could be adversely affected.

Our business is highly competitive. Competition presents an ongoing threat to the success of our business.

We face significant competition in almost every aspect of our business, including from companies such as Google, Microsoft, and Twitter, which offer a variety of Internet products, services, content, and online advertising offerings, as well as from mobile companies and smaller Internet companies that offer products and services that may compete with specific Facebook features. We also face competition from traditional and online media businesses for advertising budgets. We compete broadly with Google's social networking offerings, including Google+, and also with other, largely regional, social networks that have strong positions in particular countries, including Cyworld in Korea, Mixi in Japan, Orkut (owned by Google) in Brazil and India, and vKontakte in Russia. We would also face competition from companies in China such as Renren, Sina, and Tencent in the event that we are able to access the market in China in the future. As we introduce new products, as our existing products evolve, or as other companies introduce new products and services, we may become subject to additional competition.

Some of our current and potential competitors have significantly greater resources and better competitive positions in certain markets than we do. These factors may allow our competitors to respond more effectively than us to new or emerging technologies and changes in market requirements. Our competitors may develop products, features, or services that are similar to ours or that achieve greater market acceptance, may undertake more far-reaching and successful product development efforts or marketing campaigns, or may adopt more aggressive pricing policies. In addition, Platform partners may use information shared by our users through the Facebook Platform in order to develop products or features that compete with us. Certain competitors, including Google, could use strong or dominant positions in one or more markets to gain competitive advantage against us in areas where we operate including: by integrating competing social networking platforms or features into products they control such as search engines, web browsers, or mobile device operating systems; by making acquisitions; or by making access to Facebook more difficult. As a result, our competitors may acquire and engage users at the expense of the growth or engagement of our user base, which may negatively affect our business and financial results.

We believe that our ability to compete effectively depends upon many factors both within and beyond our control, including:

the usefulness, ease of use, performance, and reliability of our products compared to our competitors;

the size and composition of our user base;

the engagement of our users with our products;

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the timing and market acceptance of products, including developments and enhancements to our or our competitors' products;

our ability to monetize our products, including our ability to successfully monetize mobile usage;

the frequency, size, and relative prominence of the ads and other commercial content displayed by us or our competitors;

customer service and support efforts;

marketing and selling efforts;

our ability to establish and maintain developers' interest in building on the Facebook Platform;

changes mandated by legislation, regulatory authorities, or litigation, including settlements and consent decrees, some of which may have a disproportionate effect on us;

acquisitions or consolidation within our industry, which may result in more formidable competitors;

our ability to attract, retain, and motivate talented employees, particularly software engineers;

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