

Facebook Inc

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Facebook tops forecasts in second quarter as it shrugs off concerns of ad boycott

Facebook Inc (NASDAQ:FB) shares jumped after the social media giant reported second quarter figures that shot past forecasts despite battling an advertising boycott.

The tech firm reported net income for the quarter of US\$5.18bn, up from US\$2.62bn a year ago, while revenues rose 11% to US\$18.69bn, higher than analyst estimates of US\$17.34bn.

READ: Disney strips ads from Facebook to join growing boycott over handling of hate speech, WSJ reports

Meanwhile, monthly active users, a core measure of the company's growth and advertising base, grew to 2.7bn from 2.41bn last year while daily active users improved 12% to 1.79bn.

Facebook also seemed less concerned about an ongoing boycott of its platforms by large advertisers including Coca-Cola, Starbucks, Ford and Microsoft, who have suspended ads on the platform over concerns around its approach to allowing misinformation, violent content and hate speech on its platforms.

While the impact of the boycott, which numbers around 1,100 firms, may not be known until the third quarter results, it remains to be seen whether small and medium sized businesses, which make up the bulk of Facebook's advertisers, will join their larger counterparts in withholding their ad spending.

In the first three weeks of July, the company said ad revenues were in line with its second quarter growth rate of 10%, although monthly and daily active users are expected to be flat or slightly lower in the coming three months.

"The spike in active users isn't a huge surprise, life in lockdown means many of us have been glued to our screens more than ever. But a growing user-base and engagement are cornerstones of Facebook's investment case", said Sophie Lund-Yates, equity analyst at Hargreaves Lansdown.

"It makes Facebook more attractive to advertisers, and advertising revenue is what makes the group tick. Ad revenue returned to growth following flat trends in April, as marketing spending was immediately clawed back by firms around the world as coronavirus hit. Being a digital advertiser is a real benefit here because smaller, independent businesses are more likely to turn to the social network...Keeping ad revenues looking healthy has become more difficult for Facebook though - the astronomic rise of rival social platforms like TikTok means marketing teams are increasingly spoilt for choice when it comes to user data", she added

Lund-Yates also said that the current ad boycott "isn't helping advertising revenues" but this shouldn't be a long-term drag if the company acted swiftly and "proves to its disgruntled users it's throwing enough of its very rich resource pile at rooting out problems".

Price: 284.79

Market Cap: \$811.31 billion

1 Year Share Price Graph



Share Information

Code: FB

Listing: NASDAQ

52 week	High	Low
	304.67	137.11

Sector: Online business & e-commerce

Website: www.facebook.com

Company Synopsis:

When it comes to social networking, it's wise to put your best face forward. Facebook, the social networking juggernaut, lets users share information, post photos and videos, play games, and otherwise connect with one another through online profiles.

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"The social and political pressure Facebook's under shouldn't be underestimated. Protecting average revenue per user over the long-term is partly dependent on making sure the user base has faith in the platform. But this isn't the first time Facebook's navigated regulatory or social speedbumps, and it has deep pockets to throw at fixing problems. Scrutiny is going to be a recurring theme for all the major tech names, and Facebook's unrivalled reach into our lives puts it firmly in the spotlight", she concluded.

Shares in Facebook surged 6.18% to US\$249 in pre-market trading in New York on Friday, as investors appeared to shrug off the grilling of CEO Mark Zuckerberg by the US Congress earlier this week amid concerns that Facebook and other big US tech firms Apple Inc (NASDAQ:APPL), Amazon Inc (NASDAQ:AMZN) and Google parent Alphabet Inc (NASDAQ:GOOG) were monopolising the sector.

--Adds analyst comment--

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