

Facebook Pushes for 2 Billion Daily Active Users

Price \$341.62

Growth Holding

October 19, 2021

- Facebook has 1.9 billion daily users.
- Owns Instagram and WhatsApp.
- Rapid growth and free cash generation.
- Tax code changes will dampen the growth rate in 2022.
- Regulatory and legislative scrutiny could slow growth and increase costs.

Investment Thesis

Facebook (FB) is one of the largest companies in the world and one of the most accessed websites in the world with over 1.9 billion *daily* active users.

Facebook makes money on advertising revenue, at an average of \$10 per user, per quarter. Couple this with some expansion outside of their traditional wheelhouse of social media; we believe that it is a good choice for capital appreciation.

Products and R&D

Everyone knows Facebook from the blockbusting social media giant, including Instagram and WhatsApp, but Facebook operates in other sectors.

Facebook allocates roughly 20% of its revenue toward R&D spending, including AR/VR, artificial intelligence, data science, computer-aided vision.

One of its larger projects was the acquisition of Oculus, a manufacturer of consumer virtual reality (VR) headsets. It leveraged Oculus' expertise to increase its ability to innovate in the virtual and augmented reality area.

Facebook has been employing artificial intelligence and machine learning for a long time, most famously to drive advertisement engagement which has been so successful that legislatures are looking to lessen some of the more addictive elements, put in safeguards, or limit under 18 usage. Additionally, Facebook has advanced language processing machine learning successfully. For example, when Facebook detects a user's post is about a cause, it would ask them if they wanted to insert a donate button, raising over \$1 billion for charity through users.

Risk

Facebook has been at the forefront of the movement by the United States and other governments to regulate popular internet websites more stringently. This comes on the heels of several extremists being radicalized through Facebook, leaks showing Facebook actively use teenagers' sensitivity against them, and misinformation was spreading like wildfire without much monitoring from Facebook. COVID-19 pandemic and recent elections are prime examples.

Despite this, the daily active user count remains on an upward trend, and we believe that regulation involving Facebook will have a negligible impact on Facebook's bottom line.

Quarterly Results and Metrics

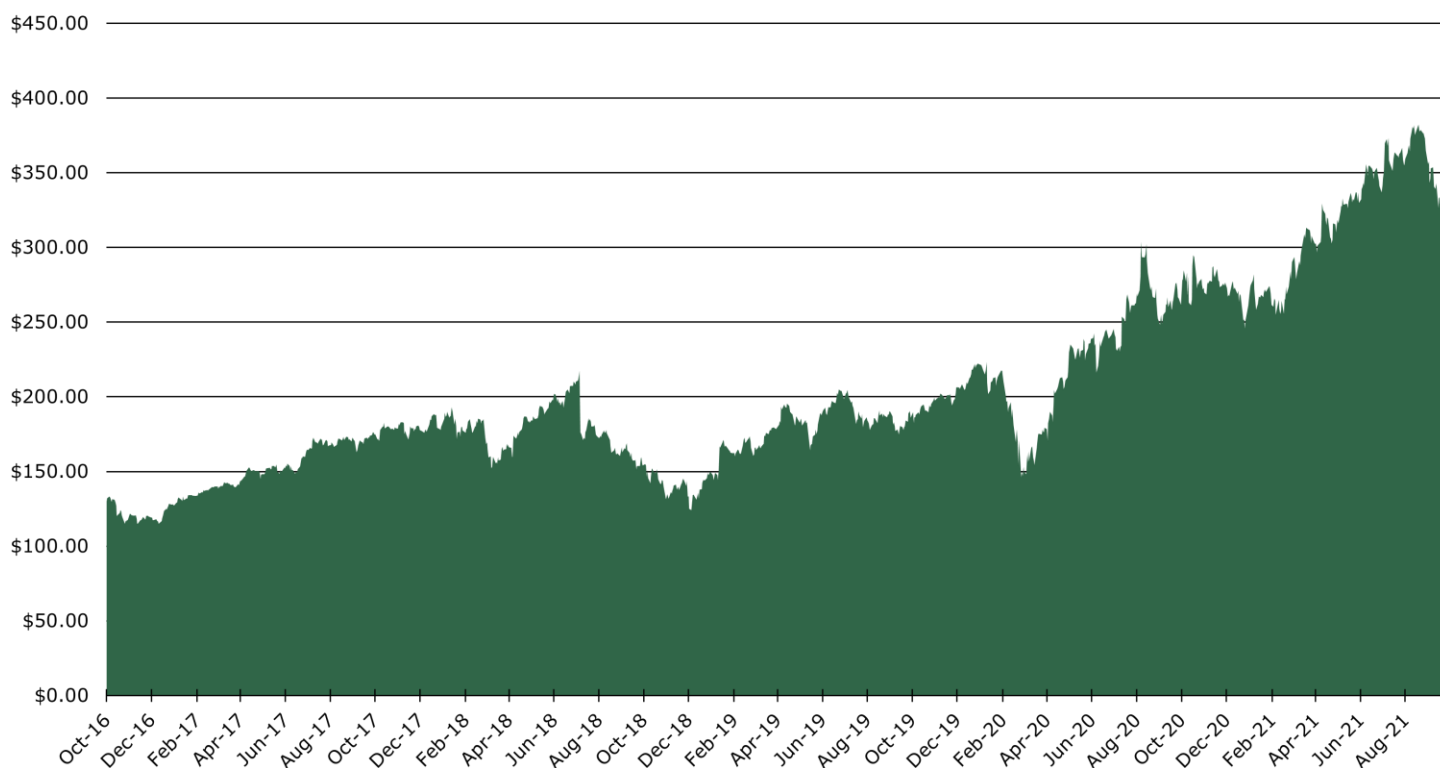
Facebook makes significant money from advertisement revenue, earning between 9.95 and \$10.12 per user each quarter. Facebook has an operating margin of 43% as of Q2 2021, and as the users expand, so too does revenue.

Total revenue is up 56% year over year, with total income from operations hitting an incredible 107% year over year increase. This was primarily driven by an increase in advertising revenue at 56% of revenue.

Facebook's management believes this number will increase slightly again, as they have raised prices for the rest of 2021 but will rapidly decelerate compared to the Q2 results.

Estimated Next 12 Months	EV/EBITDA	Price-to-Sales	Price-to-Earnings
Facebook (FB)	11.9	6.8	21.1
Tencent Holdings (TCEHY)	18.7	6.0	25.3
Apple (AAPL)	20.5	6.3	25.9
Alphabet (GOOG)	15.6	6.6	26.8
Microsoft (MSFT)	22.8	11.5	33.0
Netflix (NFLX)	35.6	8.5	50.8
Amazon (AMZN)	19.2	3.2	52.7
Twitter (TWTR)	26.6	8.7	57.1
Snap (SNAP)	100.6	20.5	103.0

Facebook (FB)



Disclaimer and Related Information

This article is a financial publication and is provided for educational purposes only. **It is not an investment recommendation nor investment advice.** It does not take into account your personal circumstance and whether this investment is appropriate for you, your objectives, or your risk tolerance. Under no circumstance is Building Benjamins LLC responsible for any actions that you may take after reading this educational information. Nothing from Building Benjamins should be considered personal investment advice. Building Benjamins, the website, emails, interviews, social media pages and other materials are published by Building Benjamins LLC. Investing, and in particular, stock investing, is risky and may result in losses and sometimes loss of your entire investment. Stock investing has company-specific operational risks like demand, competition, legal and regulatory, as well as broader financial market risks like liquidity, economic cycle, and government policy. You may lose money in any stock investment that you make, and you are solely responsible for those decisions.

Mr. Halliburton and/or his family office will have positions in the securities discussed in this educational report. Mr. Halliburton is sharing his investment knowledge and strategy with you as an educational endeavor. He may transact in the security discussed at a later date prior to or without notification in this format. This is not investment advice but only a discussion of select investments that Mr. Halliburton has made or actions that he has taken in his own portfolios. This is an investment blog about Mr. Halliburton's portfolio.

Building Benjamins is an investment newsletter, and the information contained cannot be reproduced, copied, or redistributed without the written authorization of Building Benjamins LLC. US copyright laws apply. We rely on information from sources we believe to be reliable, including the companies themselves but cannot guarantee the accuracy of the information that we provide. You rely on this information at your own risk and are responsible for the verification of the data.

