

ModernGraham Valuation

Company Name:

Facebook Inc

Company Ticker FB

Date of Analysis

8/31/2015



Stage 1: Is this company suitable for the Defensive Investor or the Enterprising Investor?

Defensive Investor; must pass 6 out of the following 7 tests.

| | | |
|--|--|------|
| 1. Adequate Size of the Enterprise | Market Cap > \$2Bil | Pass |
| 2. Sufficiently Strong Financial Condition | Current Ratio > 2 | Pass |
| 3. Earnings Stability | Positive EPS for 10 years prior | Fail |
| 4. Dividend Record | Dividend Payments for 10 years prior | Fail |
| | Increase of 33% in EPS in past 10 years using 3 year averages at beginning and end | Pass |
| 5. Earnings Growth | | |
| 6. Moderate PEmg Ratio | PEmg < 20 | Fail |
| 7. Moderate Price to Assets | PB Ratio < 2.5 OR PB*PEmg < 50 | Fail |

Enterprising Investor; must pass 4 out of the following 5 tests, or be suitable for the Defensive Investor.

| | | |
|--|--------------------------------|------|
| 1. Sufficiently Strong Financial Condition | Current Ratio > 1.5 | Pass |
| 2. Sufficiently Strong Financial Condition | Debt to NCA < 1.1 | Pass |
| 3. Earnings Stability | Positive EPS for 5 years prior | Pass |
| 4. Dividend Record | Currently Pays Dividend | Fail |
| 5. Earnings Growth | EPSmg greater than 5 years ago | Pass |

Suitability

| | |
|---------------------|------------|
| Defensive | No |
| Enterprising | Yes |

Stage 2: Determination of Intrinsic Value

| | |
|-----------------------------|----------------|
| EPSmg | \$0.93 |
| MG Growth Estimate | 15.00% |
| MG Value | \$35.93 |
| MG Value based on 3% Growth | \$13.53 |
| MG Value based on 0% Growth | \$7.93 |
| Market Implied Growth Rate | 44.29% |

MG Opinion

| | |
|----------------------|-------------------|
| Current Price | \$90.61 |
| % of Intrinsic Value | 252.16% |
| Opinion | Overvalued |

Stage 3: Information for Further Research

| | |
|--|---------|
| Net Current Asset Value (NCAV) | \$4.31 |
| Graham Number | \$21.40 |
| PEmg | 97.08 |
| Current Ratio | 9.01 |
| PB Ratio | 6.55 |
| Dividend Yield | 0.00% |
| Number of Consecutive Years of Dividend Growth | 0 |

Useful Links:

| | |
|--|-------------------------------|
| ModernGraham tagged articles | Morningstar |
| Google Finance | MSN Money |
| Yahoo Finance | Seeking Alpha |
| GuruFocus | SEC Filings |

| EPS History | | EPSmg History | |
|---------------------------|--------|--|------------------|
| Next Fiscal Year Estimate | \$1.47 | Next Fiscal Year Estimate | \$0.93 |
| Dec14 | \$1.10 | Dec14 | \$0.59 |
| Dec13 | \$0.60 | Dec13 | \$0.29 |
| Dec12 | \$0.01 | Dec12 | \$0.12 |
| Dec11 | \$0.43 | Dec11 | \$0.14 |
| Dec10 | \$0.00 | Dec10 | \$0.00 |
| Dec09 | \$0.00 | Dec09 | \$0.00 |
| Dec08 | \$0.00 | Dec08 | \$0.00 |
| Dec07 | \$0.00 | Dec07 | \$0.00 |
| Dec06 | \$0.00 | Dec06 | \$0.00 |
| Dec05 | \$0.00 | Dec05 | \$0.00 |
| Dec04 | \$0.00 | Dec04 | \$0.00 |
| Dec03 | \$0.00 | Dec03 | \$0.00 |
| Dec02 | \$0.00 | Dec02 | \$0.00 |
| Dec01 | \$0.00 | Dec01 | \$0.00 |
| Dec00 | \$0.00 | Dec00 | \$0.00 |
| Dec99 | \$0.00 | Dec99 | \$0.00 |
| Dec98 | \$0.00 | Balance Sheet Information Jun15 | |
| Dec97 | \$0.00 | Total Current Assets | \$16,951,000,000 |
| Dec96 | \$0.00 | Total Current Liabilities | \$1,881,000,000 |
| Dec95 | \$0.00 | Long-Term Debt | \$110,000,000 |
| | | Total Assets | \$44,130,000,000 |
| | | Intangible Assets | \$21,630,000,000 |
| | | Total Liabilities | \$4,678,000,000 |
| | | Shares Outstanding (Diluted Average) | 2,850,000,000 |



Disclaimer:

This valuation is not investment advice. Anyone who is considering making an investment decision should speak to a registered investment advisor.

The author did not hold a position in any company mentioned in this article at the time of publication and had no intention of changing those holdings within the next 72 hours.

Recommended Reading:

Other
ModernGraham
posts about the
company

[Facebook Stock Analysis – Quarterly Update May 2015 \\$FB](#)
[28 Companies in the Spotlight This Week – 2/28/15](#)
[Facebook Inc. Quarterly Valuation – February 2015 \\$FB](#)
[22 Companies in the Spotlight This Week – 11/29/14](#)
[Facebook Inc. Quarterly Valuation – November 2014 \\$FB](#)

Other
ModernGraham
posts about related
companies

[Ebay Inc. Analysis – August 2015 Update \\$EBAY](#)
[Facebook Stock Analysis – Quarterly Update May 2015 \\$FB](#)
[eBay Inc. Quarterly Valuation – May 2015 \\$EBAY](#)
[Facebook Inc. Quarterly Valuation – February 2015 \\$FB](#)
[Salesforce.com Inc. Annual Valuation – 2014 \\$CRM](#)
[Facebook Inc. Quarterly Valuation – November 2014 \\$FB](#)
[Netflix Inc. Annual Valuation – 2014 \\$NFLX](#)
[Facebook Inc. Quarterly Valuation – August 2014 \\$FB](#)
[Netflix Inc. Quarterly Valuation – August 2014 \\$NFLX](#)
[Facebook Inc. \(FB\) Quarterly Valuation – May 2014](#)