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Instant Wealth For Many as Facebook Files Biggest-Yet Internet IPO

By Nathan Denny on Feb 3, 2012

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It's the ultimate success story — for tech start-ups, for venture capitalists, for social media marketers, for Silicon Valley employees, and probably for other groups, too.

Of course, we're talking about the Facebook IPO, the business story that's dominated headlines this week and will almost certainly continue to do so well into the next lunar cycle. (Insert Facebook "timeline" joke here.)

On Wednesday, February 1, Facebook officially filed its IPO paperwork with the U.S. Securities and Exchange Commission in the largest Internet IPO on record; its value is being estimated in the range of \$75 billion to \$100 billion. The company's goal is to raise \$5 billion and selling stock in the spring.

Entrepreneurs shouldn't miss the message here — namely, the benefits of having a good idea and applying it in a new, innovative way. Of course, that's not enough in and of itself — there's something to be said about letting the "cool" factor do the work for you. (And how to achieve *that*? Well, it doesn't hurt if your first customers are young students in universities like Harvard and Stanford ...)

Revenue Sources

"Last year, the company had \$3.7 billion in revenue and \$1 billion in profits — astounding figures for an 8-year-old enterprise," notes *The Washington Post*, which also points out that the figure is still dwarfed by Google, which pulled in just under \$38 billion last year.

Still, "unlike Google's public offering, a large chunk of the wealth tied to Facebook has already been realized, thanks to the thriving secondary market and an eager pool of global investors," states *The New York Times*.

And come on, \$3.7 billion in revenues is still nothing to sneeze at. So, where's it all come from?

Well, the IPO paperwork answers those questions definitively: by selling ads that are targeted to its 845 million members.

"Advertising makes up the lion's share of the company's revenue — \$3.1 billion — though payments and other fees have been making up for a larger percentage of revenue over the past two years," *The Washington Post* points out in another article.

Sixty-six percent of that 2011 revenue was made in the United States. "In 2009, non-domestic sources brought in around one-third of the company's revenue; in 2011, it was 44 percent."

It's All About The Zuckerberg

Of course, most reports center on the man behind the network, Mark Zuckerberg, the 27-year-old Facebook founder who's already ranked as one of the world's richest people.

Zuckerberg's salary was \$483,333 in 2011, and that doesn't include the \$220,500 in bonuses and the \$783,529 in "other" compensation like travel and security.

But that's all about to change: Starting on January 1, 2013, Zuckerberg's salary will be reduced to just \$1, joining the ranks of the one-percent elite like Google's Eric Schmidt and Larry Page and the deceased Steve Jobs, who similarly reduced their salary.

And that means Mark may never have to pay taxes again.

"It's possible that he might even be eligible for certain types of government aid for those with low-income — although it's unlikely that he would collect them," reports *CNBC* in a fascinating break-down of Zuckerberg's finances.

Instant Riches For Investors and Employees

Besides Zuckerberg, the IPO speculation has also revealed that a *lot* of periphery figures will also be reaping the riches and rewards. For example ... Bono?

That's right — U2 frontman and globe-trotting megacelebrity Bono is set to rake in a profit of almost \$800 million via his investment firm, Elevation Partners. The firm's stake has been defined as \$975 million — that's "more than four times the \$210m it paid in November 2009," says *The Guardian*.

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Also striking it rich will be employees and contractors who've received stocks as compensation over the years. That includes David Choe, who chose to accept stock options in lieu of a paycheck of a few thousand bucks to paint the company's first headquarters back in 2005.

That stock is now worth \$200 million, making him "one of at least 1,000 company employees finally on their way to becoming millionaires," according to [The Daily Mail](#).

(In all fairness, the art with which Choe adorned the old Facebook HQ with is pretty damn cool; [check out photos here](#).)

Stats

Other fascinating statistics to come from the filing:

- Facebook users upload 250 million photos *every day*
- Facebook users collectively hit the "like" button around 2.7 billion times *every day*
- Facebook has a "stunning 100 billion relationships on its site — one for every dollar of the highest estimate of its valuation," reports [The Washington Post](#).

Trouble Ahead?

But as lucrative as all this is to the Facebook crew, things are set to shift into a different gear for the years ahead.

The company has received a lot of criticism in recent months about its privacy policies — criticism that's gradually shifting to government inquiries.

So, Facebook is courting political figures in an effort to "ward off regulations and investigations over its privacy practices — which are among the greatest risks to its unbridled growth," reports [The Washington Posts Bloomberg Business](#) section.

"Facebook has studied mistakes by older rivals, such as Google and Microsoft, and is responding quickly, experts say, by strategically hiring experienced Democratic and Republican operatives. The company has brought on key operatives from the past three administrations."

There's more. The company's growth has slowed considerably in recent months as it faces almost total market penetration.

Also, as Facebook itself admitted in its filing, "the loss of key personnel, including members of management as well as key engineering, product development, marketing, and sales personnel, could disrupt our operations and have an adverse effect on our business."

Another element: Facebook's filing all but admits that the "company appears to have a problem with mobile," says [The Washington Post](#). "The company doesn't have display ads on its mobile products now, and said that it worries the trend toward mobile could really hurt its bottom line."

And, finally, investors may simply not be as interested as Facebook would like. Why? Many "own the stock through private transactions while others shy away from risky technology deals," reports [Bloomberg BusinessWeek](#).

"It's kind of the late arrivals who get excited around the time of the IPO," the article quoted one chief investment officer. "Our clients remember the tech bubble very well, and are appropriately skeptical of being the last money in."

Then there's Zuckerberg himself, and the risk that he has too much control over the company.

"The public has no say in the control of the board, which in my view is terribly harmful to any notion of accountability," a corporate governance professor told the [New Zealand Herald](#). "It's very troubling to investors, and it's a bad bet for them."

And of course, the fortunes of even the strongest companies can wax and wane unexpectedly over the years — [just look at Sony](#).

What do you think? Are you excited about the Facebook IPO and the opportunities it offers, or are you skeptical over its future possibilities and investment opportunities? Sound off in the comments and let us know your thoughts!

Other headlines related to the Facebook IPO:

- [12 Things You Should Know About Facebook Timeline](#) from [PC Mag](#)
- [Facebook India users doubled in 2011](#) from [India Times](#)
- [Facebook Is "Huge Opportunity" For MasterCard-CEO](#) from [The Wall Street Journal](#)
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