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Extended Abstract of Thesis

Economic Analysis of Facebook stock

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1. Introduction

In almost every modern, civilized country almost everyone knows what Facebook is, or at least has heard about it. With global popularity and an extremely large and expanding social media presence, Facebook is becoming a globally known corporation with vast amounts of influence in culture and society. It has changed the world, arguably for the better or worse. With a large influential company, such as this comes a lot of economic presence.

Hundreds of thousands of investors and hopeful individuals are looking to hopefully profit off a corporation like this and it takes a lot of careful analyzing, patience, and a little bit of luck to make it out with a profit.

In this bachelor thesis, the reader is going to become one of these “investors” and they are going to try to be convinced whether to invest in Facebook or not.

2. Keywords

Facebook, Stock, Economics, Investing, Social Media, Profits, Influence, Analysis

3. Objectives

The objectives of this thesis are to evaluate Facebook's stock, looking at historical development as well as present and future predictions. Information will be identified and analyzed from the volume of the stock to the prices of the stock from its early stages to its present stages, the influence of various factors that affect the stock. Also, the social role of Facebook will be examined. Stock will be compared to other companies to show a comparison of just how large and powerful Facebook and its stock are in the economy and world. Also, the effect Facebook has had when it went public and the reaction of investors and the public will be evaluated.

4. Methodology

All of this research will be done by searching reputable financial sources such as the NASDAQ, Bloomberg, CNN, Reuters, The New York Times and other internet based resources using methods of extraction, induction, synthesis, deduction. This will be worked on gradually, firstly by finding general information about Facebook's stock over a period of time to get a general idea about the company. Then after a general outline will be created to be able to stay on topic and focused throughout. Analytical section will make use of methods of financial analysis such as horizontal and vertical analysis, intrinsic value of stock or technical analysis such as moving averages.

5. Main Findings

Regarding whether or not Facebook was a good investment in the past, there were quite a few findings that overwhelmingly pointed to the conclusion that Facebook was NOT a good investment choice (in the past). The first of these findings were that it was found that during Facebook's IPO, there was great belief in the investment world that Facebook's stock was overhyped and overpriced, as well as that during the IPO the platform that was releasing Facebook's stock, NASDAQ, crashed causing investors orders to be delayed causing massive loses resulting in many lawsuits and further decreasing the value of the stock. The second big finding that can lead to the conclusion that Facebook was not a good investment in the past was that during their IPO, Facebook increased its stock percentage to 25% which is quite high for the releasing company to own, which lead investors to believe Facebook was being mismanaged. These findings lead to the conclusion that Facebook was not a good investment in the past.

Regarding whether or not Facebook is currently a good investment it was found that almost all factors analyzed lead to the conclusion that Facebook currently IS a good choice as an investment. There were three main findings that gave this conclusion. The first was that a list information that is believed to help an investor decide if he/she should choose an investment was analyzed and from this analysis it was concluded that this information certainly points to Facebook being a good choice as an investment. The second finding was that there was data given proving that Facebooks revenue has indeed been increasing from the previous year as well as the past several years as shown in the charts provided. The last finding found that compared to its main competitor, Twitter, Facebook is doing much better as far as growth and financials. All of this leads to a big "Yes" of Facebook being a good choice as an investment currently.

The last of the three topics analyzed was whether or not Facebook will be a good investment in the future. This part of the analysis was the most difficult because there is no sure way to say if it will be a good choice in the future as the future is unpredictable. However, there was a lot of data found that can be used to find a trend and the likelihood of Facebook following that trend is quite high. It was found Facebook has had a trend of steady growth since its beginning and this can be used to assume that in the future it will be the same. There was one problem found though, that being that almost all social media sites die out eventually. To determine whether Facebook could follow this theory, a very similar social media site was found and was compared to Facebook determine why it died out and if its possible Facebook could follow in its steps. It was found though that Facebook is much larger and has much more influence and capital that it's not likely it will die out at least soon. All of this leads to the conclusion that in the future Facebook will indeed be a good choice as an investment.

6. Conclusion

This bachelor thesis should have helped the reader become more informed about the topic of Facebook's stock. In the theoretical section, it should have given the reader a general understanding of the main concepts of economics, as well as more in depth concepts. It also should have given the reader background knowledge of the company Facebook. The analytical

section should have helped convince the reader on whether or not Facebook stock was a good investment choice in the past, present, and future. The conclusions made by the author should ideally be aligned with the authors conclusions.

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