

Zuckerberg sells shares to pay tax

NEW YORK, USA: Facebook boss Mark Zuckerberg will sell a chunk of his stake in the company, cashing in some US\$2.3bn, as part of a new share offering by the huge social network.



Mark Zuckerberg is selling Facebook shares to pay his enormous tax bills.
Image: Commons Wikimedia

A Facebook filing Thursday (19 December) said the company would sell 70m shares in a follow-on offering to the huge initial public offering in May 2012.

Of the total amount, Zuckerberg will sell around 41m shares, mainly to satisfy his tax obligations, the company said in a statement.

The 27m new shares at Facebook's latest closing price of \$55.57 would raise some US\$1.5bn for the company. The money would be used for working capital and other general corporate purposes.

Zuckerberg's sale will have little impact on his control of the company he co-founded from his Harvard University dormitory.

He owns an estimated 29% of Facebook capital, but based on the dual classes of stock, he will still hold 56.1% of the voting rights after the new offering, down from 58.8%.

With the proxies he holds for other shareholders, Zuckerberg will control 62.8% of the voting rights after the new offering, down from 65.2%.

The company said Zuckerberg will exercise his option to purchase 60m Class B shares and then convert them to Class A for the sale. Each Class A share has one voting right, while Class B shares have 10 voting rights.

Another early Facebook investor, entrepreneur Marc Andreessen, will sell about 1.6m shares in the offering.

Zuckerberg worth US\$19bn

The filing with the Securities and Exchange Commission also notes that Zuckerberg plans to donate 18m shares to an unspecified beneficiary. He and his wife Priscilla last year gave a similar amount to a Silicon Valley foundation.

One of the reasons for the new Facebook offering is to meet expected demand with Facebook being added to the Standard & Poor's 500 index. That requires portfolio managers who own the stock index to buy Facebook shares.

Being added to the S&P 500 comes at the end of a year in which Facebook climbed out from the wreckage of its much-hyped but quickly panned stock market debut early in 2012. Facebook has been on an upward cycle since earnings showed a jump in mobile advertising revenue.

Zuckerberg's net worth was estimated by Forbes magazine at US\$19bn at the end of September, making him the 25th richest person in the United States and 66th wealthiest in the world.

The world's leading online social network reported profit of US\$425m in the quarter that ended in September, compared with a loss a year earlier.

Revenues rose sharply to \$2.016bn. The network said it is testing a new advertising format - that provides advertising automatically a news feed is clicked - with a clip for the new film "Divergent."

Analysts at Bank of America/Merrill Lynch estimated that video ads could generate additional revenue of between 10% and 15% for Facebook.

The consultancy eMarketer said Facebook has become the second largest seller of digital advertising behind Google and that Facebook will take in 7.4 % of net US digital advertising, equivalent to more than US\$3bn this year.

Source: AFP via I-Net Bridge

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