

# IS FACEBOOK IPO REALLY OVERVALUED?



Facebook renewed its price range for its initial public offering at \$35-\$40, up from \$28 to \$35 and this would be a record debut for an American company in history.

However, not everyone is as optimistic. There have been voices stating the Facebook IPO could be overvalued as its user base has seen a slowing growth in the last quarters and it is sort of lagging behind in the mobile sphere. Those are apparent challenges Facebook is facing right now, but would either, or both, of them really dwarf the actual value Facebook is holding to, socially and financially?

What Facebook sees as its core mission is to help build and manage social connections over the Internet in a better way. I mean, this is in no way a simple business endeavor, but a revolutionary challenge on how people interact with each other in the web 2.0 era. Soaring and sustained user growth over the 8 years since its early days in a Harvard dorm is a good testimonial for Facebook's revolutionary status. It is addictive and well fits the universal humanity inside every one of us that longs for being socially involved.

A prevalent argument is that Facebook has seen a slower user growth, and it is the foremost reason why people get skeptical about the young tech giant's future. Well, a slower user growth is bad, but as it still much surpasses the birth rate of most countries, it is literally on the good run.

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Others have been arguing that Facebook's being blocked outside of China puts it in an unfavorable position in market potential. I on the contrary think it as a perfect example of enormous possible market potential Facebook might achieve in the future.

Now that Facebook is the most prevailing social networking site attracting billions of visitors even without access to the largest Internet market in the world, what would the landscape be like if Facebook could successfully put China under its reign some day? And that is what we call potential, literally.

Another good reason why Facebook will not likely fade away from people's eyes comes that it cannot be recreated. I recall clearly a year ago people generating and spreading Google+ buzz and discussing wildly about Facebook being replaced, and what now? Google+ is now no more than a ghost town of no man's territory. I am not saying I had the insight or whatsoever, but the minute I started using Google+, I had deemed it no match for Facebook, at all.

Facebook is an ecosystem where extensive businesses rely on. The overall turnover they generate each year is staggering trillions of dollars. And as in the very foreseeable future, they don't have alternatives to turn to. Zynga's up and downs well portrays this relationship.

All strengths of Facebook come from its user stickiness. Interactive functionalities and addictive entertainment are seamlessly integrated with the social networking basics Facebook is built on, and those features in turn have enforced the social side of the website. People just can't help logging onto the site and posting updates. To sum it up, the heat among its users could easily be stirred up on Facebook.

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“I grew up with the Internet, when I was in middle school I was using search engines like Google and Yahoo. I thought it was the most amazing thing. Now you have access to all this information. The thing that was missing was just people” said Mark Zuckerberg. This pretty much explains what Facebook aims to function as.

Instead of disputing over whether the Facebook IPO is overvalued, we’d better start a new discussion on if it is under-valued indeed. Exceptional user stickiness, the uniqueness and the affiliate ecosystem all add up to the irreplaceability of Facebook and its IPO sure seems a perfect deal to investors seeking good returns.

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