

- FASB update: lease liabilities/assets for operating leases have to be included in financials.
- IPRID: As of March 2016, was completed. Reclassified to acquired tech & began amortizing the balance over estimated useful life.
- In April 2016, board of directors approved amendments to restated Certificate of Incorporation that would create a new class of non-voting capital stock (Class C capital stock).
 - ↳ Adoption is subject to approval during stockholders' Annual Meeting (June 2016)
 - ↳ Assuming approval: two shares of Class C capital stock will be issued as a one-time stock dividend for each share of Class A & Class B common stock outstanding.
 - ⇒ Transaction will be treated as a stock split in the form of a dividend.
 - ↳ Class C will have no voting rights.
 - ⇒ In all other matters will be the same as Class A & B common stock, including the right to dividends.
- Headcount continues to increase → 13,598 as of March. 2015 year close was 12K.
- Same trends continue with users → ↑ mobile use ↓ PC use.
 - ↳ Believe PC use will continue to decline.
- ARPU was \$332, ↑ 33% YoY.
- Still presenting FX impacts.
- YoY Revenue increased at a faster pace than costs & expense.
 - ↳ Operating margin increased.
 - ↳ This is against their yearly tendency so far.
 - ↳ There wasn't a significant increase in share-based compensation either.
- **REVENUE** ↑ 52%.
 - ↳ Strong increase in advertising (↑ 57%)
 - ↳ Continued decrease in payments (↓ 26%)
 - ↳ Driven by mobile ads. Represent 82% of ad revenue vs 73% in same period of the year before.
 - ⇒ Increase in demand for ad inventory
 - ⇒ Increase in # of marketers actively advertising on FB.
 - ⇒ Increase in mobile user growth & engagement.
 - ⇒ Increase in frequency of ads displayed on News Feed & quality, relevance & performance of those ads.
 - ⇒ Price/ad increased 5% & # of ads delivered increased 50%.
 - ↳ Payment decreased tied to the decrease in use of personal computers.
- **COST OF REVENUE** ↑ 28%.
 - ↳ Increase in operational expenses related to datacenter & technical infrastructure.
- **R&D** ↑ 20%.
 - ↳ Payroll & benefits → 37% headcount increase.
 - ↳ Equipment & related expenses also increased.
- **MARKETING & SALES** ↑ 33%.
 - ↳ Payroll & benefits → 32% headcount increase.
 - ↳ Higher consulting & other professional service fees.
- **GENERAL & ADM** ↑ 34%.
 - ↳ Increase in payroll → 32% increase in headcount.
- **PROVISION FOR INCOME TAX** ↑ 32%.
 - ↳ More income
 - ↳ 27% effective tax rate vs. 45%.
 - ⇒ Increase in pre-tax income in jurisdictions with tax rates lower than the US.

LIQUIDITY & CAPITAL RESOURCES

- NOL carry forward of \$1.98B
- \$2.21B held in foreign subsidiaries → trapped cash.

ACQUISITIONS

- In the future, FB may use shares of Class C capital stock as consideration in connection with acquisitions.

STOCK OWNERSHIP RISK

- Class C capital stock will be listed on the NASDAQ.
 - ↳ Trading price may be volatile & affected by Class A Common Stock.
 - ⇒ May be affected by difference in voting rights.
 - ↳ Expect that the market price for Class A will generally reflect the effect of a 3-to-1 stock split.
- Still do not intend to pay cash dividends