

# Facebook Inc. (FB)

Rating **OUTPERFORM\***  
Price (08 Oct 15, US\$) 92.47  
Target price (US\$) (from 110.00) 115.00<sup>1</sup>  
52-week price range 98.39 - 72.63  
Market cap. (US\$ m) 260,538.43

\*Stock ratings are relative to the coverage universe in each analyst's or each team's respective sector.  
<sup>1</sup>Target price is for 12 months.

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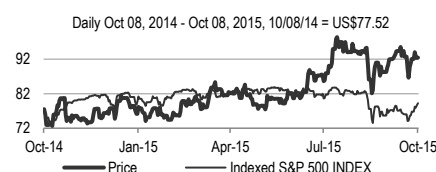
**INCREASE TARGET PRICE**

**FOCUS LIST STOCK**

## Passing Along the Revenue Generation Baton

- **Event:** We increase our NT estimates for Facebook as we preview its 3Q15 results. Concurrent with this report, we have made numerous changes to our product-by-product revenue forecast, including adding projections for Oculus VR, increased ramp in Premium Video and Instagram, offset by a push out for Audience Network contribution. Our price target increases from \$110 to \$115 as we roll forward our valuation parameters to 2016.
- **Investment Case:** We raise our estimates following checks suggesting a strong ramp in Premium Video, Instagram, and dynamic product ads (DPA) budget allocations on top of mid-single-digit sequential growth for App Install and Newsfeed. We also layer in ~\$2.1b in Oculus revenue for 2016 but we assume that Facebook will follow a razor/razorblades model and sell the hardware at a loss to drive adoption. The greater takeaway is that Oculus, Instagram and Premium Video ads are but a few of the factors in a stacked product release slate that we have cited in our report ("*Time to Rebuild Your Facebook Models—Raising to Outperform*", April 21 2014). We hence maintain our Outperform rating based on our product-by-product forecast approach which leads us to believe: 1) FB will be able to drive revenue growth without a material lift in ad loads, 2) Street models are too conservative and underestimate the long-term monetization potential new products, 3) optionality and upward bias to estimates as they do not contemplate contributions from multiple other products.
- **Valuation:** Our price target is based on DCF with a 10.5% weighted average cost of capital and a 3% terminal growth rate which suggests \$115 (vs prior \$110).

### Share price performance



On 10/08/15 the S&P 500 INDEX closed at 2013.43

Quarterly EPS	Q1	Q2	Q3	Q4
2014A	0.35	0.43	0.44	0.55
2015E	0.42	0.50	0.51	0.71
2016E	0.49	0.72	0.79	0.91

### Financial and valuation metrics

Year	12/14A	12/15E	12/16E	12/17E
EPS - (Excl. ESO) (US\$)	2.19	2.80	4.08	5.43
EPS (CS adj.) (US\$)	1.78	2.15	2.92	4.08
Prev. EPS (CS adj.) (US\$)	—	2.09	3.27	4.57
P/E (CS adj., x)	52.0	43.0	31.6	22.7
P/E rel. (CS adj., %)	303.2	253.6	204.6	164.8
Revenue (US\$ m)	12,466.0	17,474.4	26,379.1	32,708.8
EBITDA (US\$ m)	8,483.6	11,470.0	14,635.2	19,608.8
Net debt (US\$ m)	233	745	1,899	2,733
OCFPS (US\$)	2.04	2.49	4.08	5.39
P/OCF (x)	38.2	37.1	22.7	17.2
Number of shares (m)	2,817.55		Price/sales(x)	15.1
BV/share (Next Qtr., US\$)	21.1		P/BVPS (x)	4.6
Net debt (Next Qtr., US\$ m)	405.4		Dividend (current, US\$)	—
Dividend yield (%)	—			

Source: Company data, Credit Suisse estimates.

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## Investment Thesis

Facebook is set to report its 3Q15 results on 4 November 2015. We maintain our Outperform rating and increase our price target to \$115 from \$110 prior as we roll-forward our valuation parameters to end-of-2016 and update our product-by-product forecast to reflect contribution from the 1Q16 launch of the Oculus Rift VR headset.

That said, even as we contemplate incremental Oculus revenue contribution of \$2.1 billion from roughly 5 million units for 2016, we have elected to assume that Facebook will follow the well-traveled razor-razorblades model and sell the hardware unit at a loss to drive platform adoption.

More near term, our channel checks for this quarter have been relatively positive, indicating pricing for app install ads (cost per install or "CPI") grew by mid-to-high single digits quarter-on-quarter – which is consistent with pricing trends observed over the last few quarters. As we have previously noted, it appears that Facebook continues to broaden its app install advertiser base to categories outside of gaming and improve targeting capabilities across its ad products.

Turning to some of Facebook's more brand-centric advertising initiatives, our checks indicate that budgets allocated to Facebook's recently-launched Premium Video product continues to grow at a healthy pace and its core Newsfeed ad product (ex-app installs) is benefiting from strong advertiser adoption of its Custom Audiences targeting tool.

While our checks indicate that Instagram will likely begin to contribute more significantly in 4Q15, following the broader public launch of the Instagram ad API in September 2015, initial feedback indicates strong advertiser adoption of the new inventory source.

Changes to our estimates are as summarized below:

### Exhibit 1: Facebook, Inc. – CS Estimate Revisions

	3Q15 Prior	3Q15 Current	% Δ	2016 Prior	2016 Current	% Δ	2017 Prior	2017 Current	% Δ
Advertising Revenue	3993	4047	1.3%	23875	23466	-1.7%	31842	29569	-7.1%
Payments and Other Fees Revenue	202	200	-1.1%	820	2913	255.3%	827	3140	279.8%
Total Revenue	4195	4246	1.2%	24695	26379	6.8%	32669	32709	0.1%
Adj EBITDA	2740	2772	1.2%	16072	14635	-8.9%	21598	19609	-9.2%
Adj EPS	\$0.50	\$0.51	1.4%	\$3.27	\$2.92	-10.8%	\$4.57	\$4.08	-10.8%

Source: Company data, Credit Suisse estimates

We again note that any near-term volatility should garner less focus versus the stacked product release slate for 2016 and beyond. For a more detailed discussion on a product by product basis, please refer to our report *Time to Rebuild Your Facebook Models*, which we published on 21 April 2014 and our 14 January 2015 follow-up piece *We Layer in FAN Contribution into the Model*. We continue to expect the product and subsequently growth momentum to pass from Facebook's current product portfolio to incremental roll outs such as Premium Video ads, its 3P mobile ad network (FAN), Instagram ads, and Oculus.

Our Outperform rating rests on the following tenets: 1) FB will be able to drive long term revenue growth without a material lift in ad loads, 2) Street models are too conservative and underestimate the long term monetization potential of upcoming new products, and 3) optionality and upward bias to estimates do not contemplate contributions from multiple other products.

### Mobile Advertising

For 3Q15, we have increased our advertising revenue forecast by ~1.3% to \$4.05 billion, as we now contemplate \$3.1 billion in mobile revenue. Our mobile revenue forecast is predicated on continued developer adoption of Facebook's app install ads – primarily used as a tool to acquire additional players/users by promoting downloads of the mobile app.

Our checks indicate that pricing for mobile app install ads (primarily on a cost-per-install or "CPI" basis) increased by mid-to-high single digits quarter on quarter, indicating that app developers continue to view the ad product as a positive ROI offering when benchmarked against the expected life-time value (LTV) of each incremental paying user. Furthermore, our checks continue to indicate that a growing mix of advertisers utilizing app install ads are from verticals outside of gaming (e.g. productivity, travel, e-commerce apps *etc.*), which has helped push CPIs higher in recent quarters. We note that that a mix-shift away from gaming is a positive development for Facebook (and one that actually started to become more noticeable in 2Q14), as the expected LTV and corresponding rational CPI max-bid ceilings are often substantially higher for non-gaming developers.

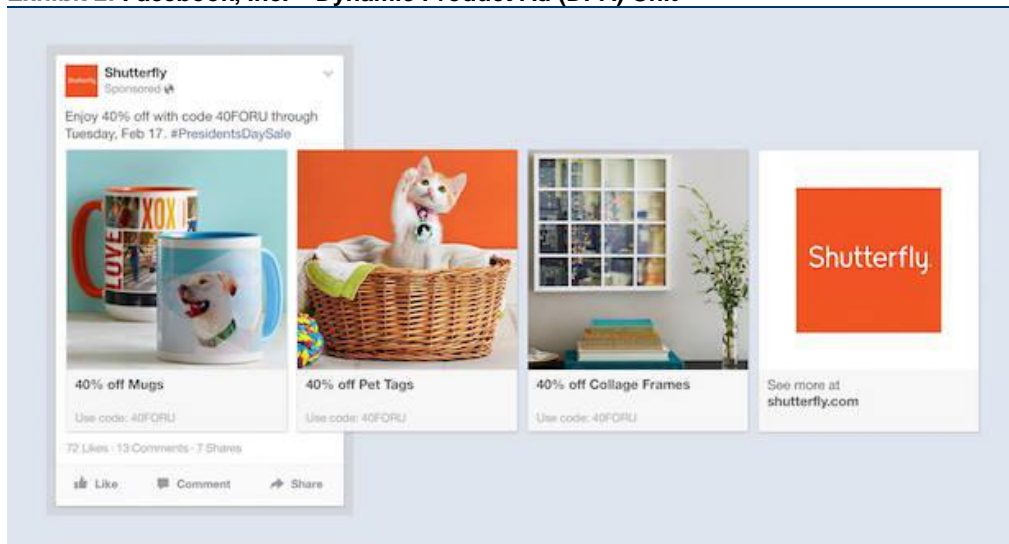
We note that our near-to-medium term mobile ad revenue forecast assumes that Facebook can successfully broaden its suite of ad products to help developers drive incremental engagement and paid conversions once an app has been installed. In October 2013, Facebook launched a new form of mobile app ads which allow developers to serve call-to-actions (e.g. "listen now", "play game", "watch video" *etc.*) to drive installs and reach unengaged app users, while also allowing advertisers to link an ad directly to a specific page within their respective apps (e.g. to the hotel listing page specific to a user's location within an installed travel app).

### FBX, DPA & Newsfeed

Our checks indicate that direct response advertising remains strong on a seasonal basis – increasing modestly quarter on quarter but increasing at a healthy pace year over year on the back of stable app install ad CPIs, growing programmatic display ad budgets, and continued adoption of Facebook's custom audiences targeting tools that have led to better conversion rates and ad pricing.

Of note is the adoption of dynamic product ads (DPA), a cross-device ad offering that retailers can use to displays ads of their products to specific users – based on whether the user had previously visited the retailer's site/app or had engaged with similar products. Facebook launched its DPA offering in February 2015, and our checks suggest that retail advertisers who previously utilized a variety of third-party programmatic re-targeting vendors to purchase inventory via FBX are now working directly with Facebook – effectively increasing the portion of ad budgets Facebook collects (as less is paid to third-parties), and providing advertisers with the benefit of improved targeting tools and better campaign performance.

### Exhibit 2: Facebook, Inc. – Dynamic Product Ad (DPA) Unit



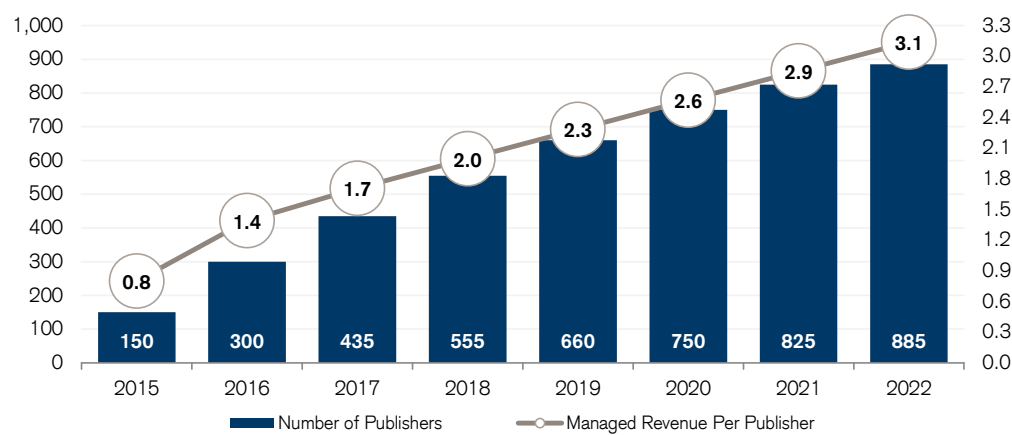
Source: Facebook Blog

**Facebook's Audience Network**

We believe that ad volume for Audience Network remains in the low-single digits of overall volume and budgets, as Facebook has moderated the ramp of its mobile ad network for third party app publishers, following its initial launch in 3Q14. Last month, Facebook expanded ad products available via the Audience Network to include video app install ads, carousel ads and DPA ad units. Looking longer-term, we believe this product's success will ultimately be determined by the company's ability to convince publishers that its ad products can provide incremental yield and revenue beyond what competing monetization platforms can offer. We therefore remain confident that Facebook's unique targeting data set and status as an industry leader in mobile advertising positions the Audience Network to attract a significant portion of mobile ad inventory over the next few years. Our updated estimates for publisher adoption are as shown below:

**Exhibit 3: Facebook, Inc. – Audience Network Publisher & Managed Revenue Per Publisher Forecast**

*in \$US millions, unless otherwise stated*

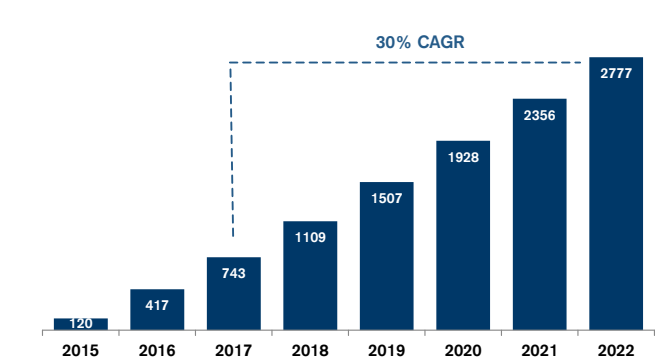


Source: Company data, Credit Suisse estimates

Our estimates for Audience Network now reflect a more gradual ramp with gross volume growing at a ~30% five-year CAGR from ~\$750 million in 2017 to reach \$2.8 billion by 2022. Additionally, we are moderating our take-rate assumptions for FAN, with the relatively conservative view that Facebook will elect not to increase take-rates beyond 20% longer-term – with net revenue contribution of ~\$550 million by 2022.

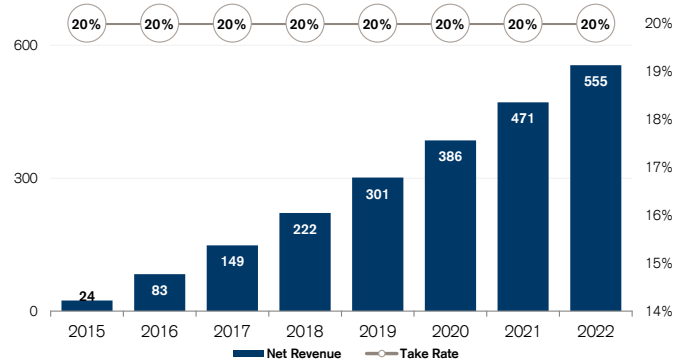
**Exhibit 4: Facebook, Inc. – Audience Network Gross Managed Volume**

*in \$US millions, unless otherwise stated*



Source: Company data, Credit Suisse estimates

**Exhibit 5: Facebook, Inc. – Audience Network Net Revenue Contribution & Take-Rate**



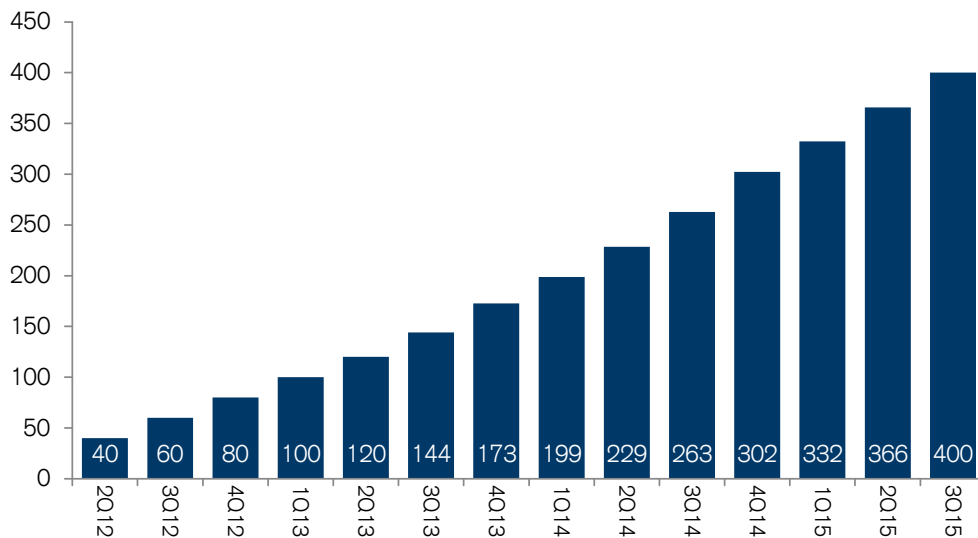
Source: Company data, Credit Suisse estimates

## Instagram

Last month, Facebook announced that Instagram had grown to over 400 million active users, up from 300 million users in December 2014 and fewer than 50 million users when the mobile photo/video sharing platform was acquired in early 2012. We note that the majority of Instagram's user growth is now driven by international expansion, with notable strength in Brazil, Japan, and Indonesia, and roughly three-quarters of users now accessing the app from outside of the U.S.

### Exhibit 6: Instagram Monthly Active Users

*in millions*



Source: Company data, Credit Suisse estimates

While Instagram began testing video ads with a handful of large brand advertisers in early 2014, it for the most part elected to keep advertising to a minimum and instead focus on usage growth. However, our checks indicate that in 2Q15 the ramp of monetization for Instagram accelerated, as Facebook now seems to be putting increased focus on increasing the ad offerings for the photo-sharing app following a seemingly "back-burner" de-prioritization in earlier quarters. We believe this shift is likely a function of a growing number of competitive "experimental" ad products from brand-oriented social platforms coming to market and motivating a scramble for advertiser mind-share.

In June 2015, the company announced that it would open up Instagram to the broader advertiser ecosystem, beginning with a select group of Facebook Marketing Partners on a managed basis. In September 2015, the Instagram ad API was made available to advertisers globally on a self-serve basis, giving advertisers the option to purchase Instagram inventory directly via Facebook's Power Editor ad buying platform. Our checks indicate that advertisers are able to purchase ads on Instagram using the same targeting parameters and buying process used for Facebook Newsfeed ads – effectively simplifying the adoption curve going into the 4Q holiday shopping season.

That said, early feedback indicates that the familiar targeting tools offered to advertisers have yet to fully leverage the unique data sets and characteristics that are specific to Instagram (e.g. hashtag and follower targeting, frequency capping etc.), which leaves room for incremental pricing expansion as Facebook develops a more unique set of targeting features. Advertisers on Instagram can choose between standard image ads, 30 second video ads, or carousel ads, with the option to include either a link to an external website or enable a specific action (e.g. app install or purchase). To help drive the performance of direct response campaigns, Instagram provides an option to embed specific call-to-actions such as "Shop Now", "Download", "Learn More", and "Sign-Up" within an ad.



Exhibit 7: Instagram Ad Creatives

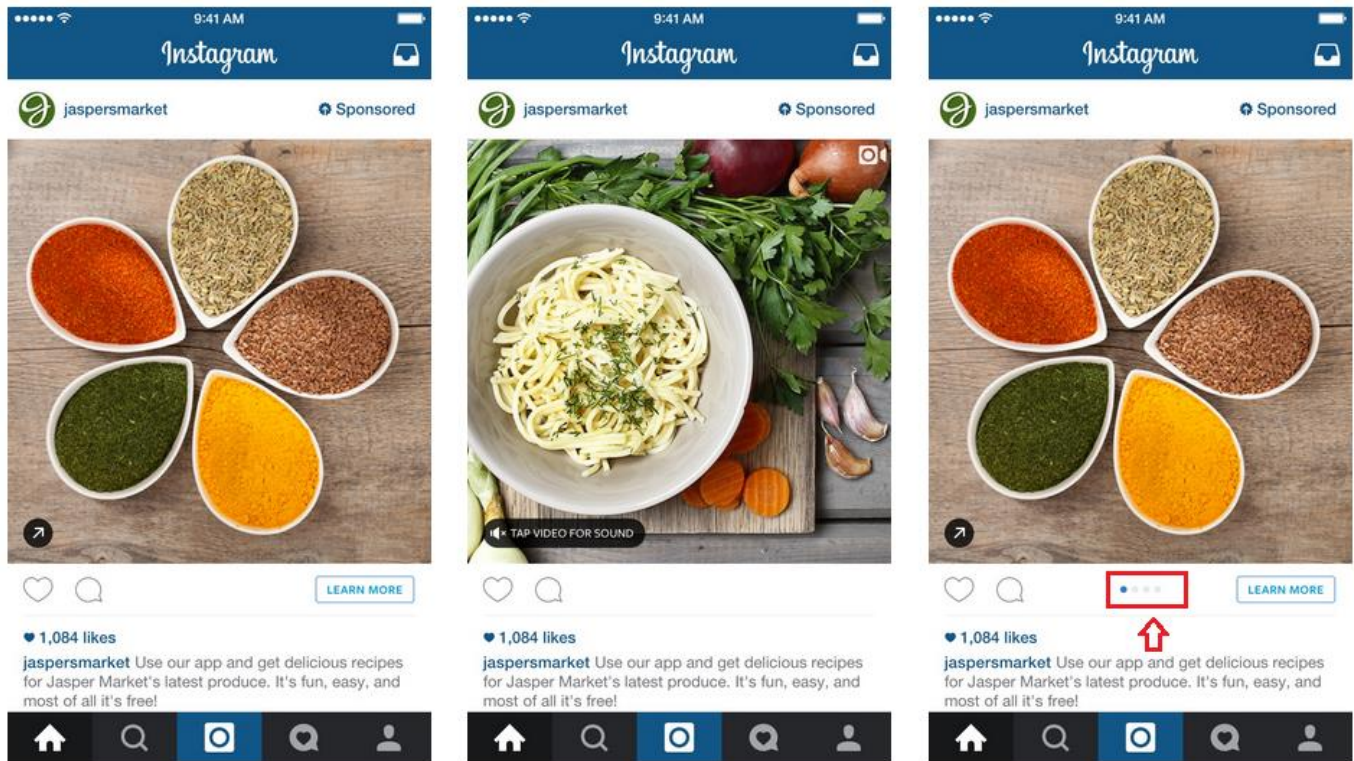


Image Ads

Video Ads

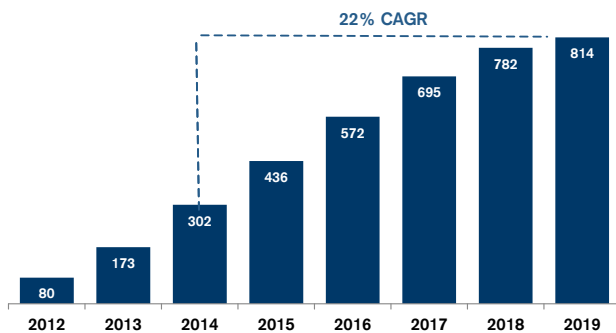
Carousel Ads

Source: Instagram blog

While we were previously modeling a more gradual ramp of Instagram monetization, with revenue contribution previously expected to materialize in 1Q16, we are now projecting ~\$150 million and ~\$250 million in 3Q15 and 4Q15 revenue contribution from Instagram, respectively. Additionally our FY16 revenue estimate for Instagram increases to \$1.55 billion versus \$1 billion prior. Our longer-term user and revenue projections for Instagram are as shown below:

Exhibit 8: Instagram – Monthly Active Users Forecast

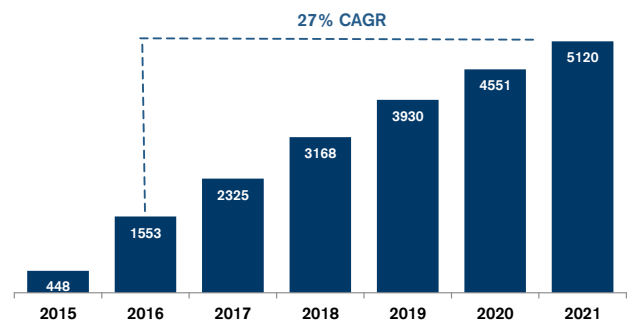
In millions



Source: Company data, Credit Suisse estimates

Exhibit 9: Instagram – Revenue Forecast

in \$US millions



Source: Company data, Credit Suisse estimates




Premium Video

Facebook began testing Premium Video ads in December 2013, and launched the new ad format to a limited number of advertising partners in March 2014. Premium Video ads were

designed to help promote a brand to a large audience via a short video creative (between 15 - 30 seconds) that was vetted by Facebook and partners like Ace Metrix to ensure that the quality of a user's newsfeed does not see erosion. When a user passed over a Premium Video ad, the clip begins playing without sound, and when users tap on the clip, the ad expands to the full screen and plays with sound.

Early partners included film studios looking to promote upcoming films using shorter versions of trailers traditionally produced for TV ad campaigns. Early adoption of the ad product primarily consisted of the typical brand advertisers on television (e.g., auto and CPG brands). Since then, Facebook has broadened its video advertiser base to include verticals such as financial services, retail, telco, and travel.

**Exhibit 10: Facebook, Inc. – Premium Video Ad Units**

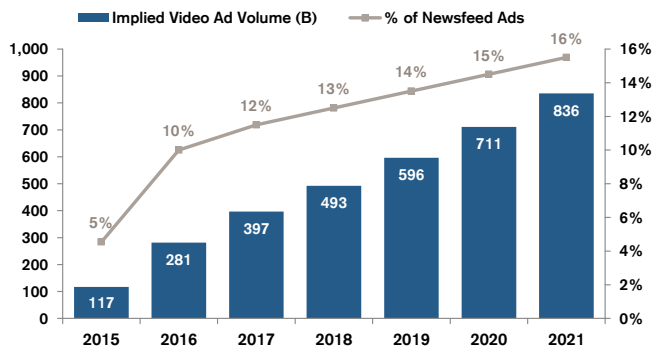
Retail/Ecommerce	Tech/Telco/Durables	Travel
 <p><b>Jordan</b> Product/Service · 7,979,155 Likes · August 4 · Edited</p> <p>Fight or flight. Marvin's finally found Blake Griffin and his #SuperFly4.</p> <p>373,441 Likes · 16,127 Comments · 166,963 Shares</p> <p>Like Comment Share</p>	 <p><b>Beats by Dre</b> Electronics · 7,985,580 Likes · August 7</p> <p>"We wanted to come out and make a statement." Dr Dre and Ice Cube on what it means to be #StraightOutta Compton.</p> <p>Rep Your City. Make Yours &gt; StraightOuttaSomewhere.com</p> <p>13,068 Likes · 575 Comments · 2,064 Shares</p> <p>Like Comment Share</p>	 <p><b>Walt Disney World</b> Theme Park · 14,947,480 Likes · July 28</p> <p>Let your imagination come to life! Check out this unique point of view from La Nouba by Cirque du Soleil at Downtown Disney!</p> <p>15,764 Likes · 969 Comments · 2,454 Shares</p> <p>Like Comment Share</p>

Source: Facebook Blog

In June 2015, Facebook began offering video advertisers the ability to optimize their campaigns for reach and frequency – providing traditional TV advertisers with the resources they needed to easily migrate offline budgets online and supplement existing TV campaigns.

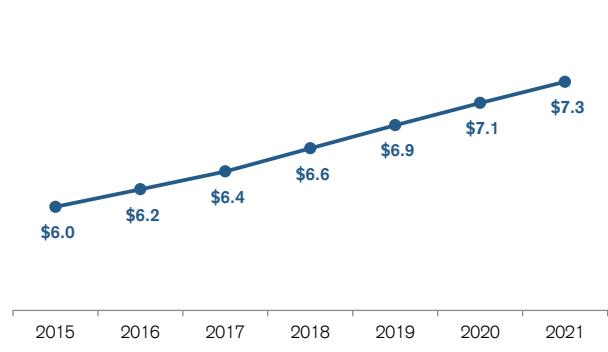
We expect Facebook to continue increasing the mix of video ads in the newsfeed given the higher price points relative to other available creatives – with video ad volume mix growing by ~100bps per year from 10% in 2016 to 16% by 2021. Additionally, we expect modest pricing inflation, with blended average CPMs for video ads growing at a ~3% five-year CAGR from \$6 in 2016 to \$7.30 in 2021 – driven by increased demand stemming from the migration of TV budgets online and the introduction of improved targeting/attribution tools that will result in better campaign performance and spend from both brand and direct-response advertisers.

**Exhibit 11: Facebook – Premium Video Ad Volume (B) & % of Newsfeed Ads**



Source: Company data, Credit Suisse estimates

**Exhibit 12: Facebook – Premium Video Avg. CPM Forecast**

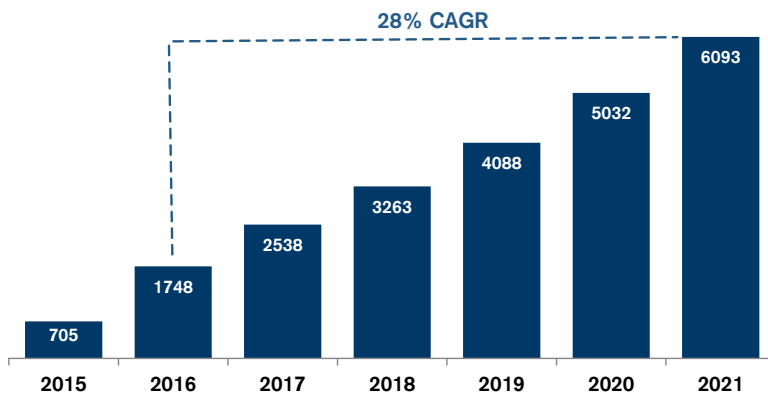


Source: Company data, Credit Suisse estimates

Net-net, we are increasing our estimate for video ad revenue contribution in 2016 to \$1.75 billion from \$500 million prior as we now contemplate a steeper ramp of the ad product following increasingly positive channel checks. Longer term, we expect Facebook to grow video ad revenue at a 28% five-year CAGR (starting in FY16) with ~\$6.1 billion in revenue contribution by FY21.

**Exhibit 13: Facebook – Premium Video Ad Revenue Projection**

\$US millions



Source: Company data, Credit Suisse estimates

**Oculus VR**

We are updating our product-by-product revenue forecast to reflect our projections for revenue and gross profit contribution from Facebook's Oculus initiative following management commentary last quarter that disclosed the broader consumer launch of the Oculus Rift virtual reality headset in 1Q16. Facebook acquired Oculus for ~\$2 billion in March 2014 and subsequently began working with developers and content providers while simultaneously iterating the necessary hardware to prepare for a consumer launch.



**Exhibit 14: Oculus Rift VR Headset**



Source: Company Blog

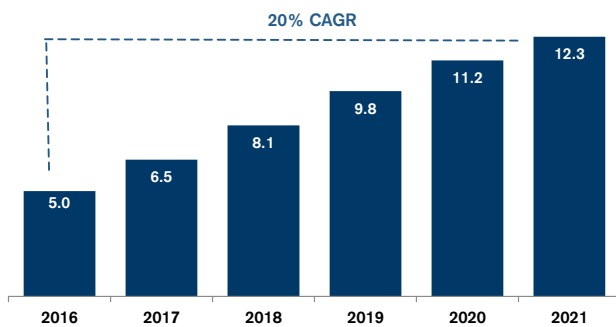
Last month, Facebook introduced consumer version of its low-end Gear VR headset in partnership with Samsung. The device will be compatible with a number of newer Samsung smartphones and tablets, will be priced at \$99, and is expected to begin shipping in the U.S. by November 2015.

While pricing for the Oculus Rift has yet to be announced, various media outlets have pegged initial pricing at ~\$500, with a cheaper Oculus Gear version priced at \$200 for consumers who chose to pre-order the device.

Our current forecast implies that Oculus will ship ~5 million units in 2016, with an average ASP of roughly \$350.

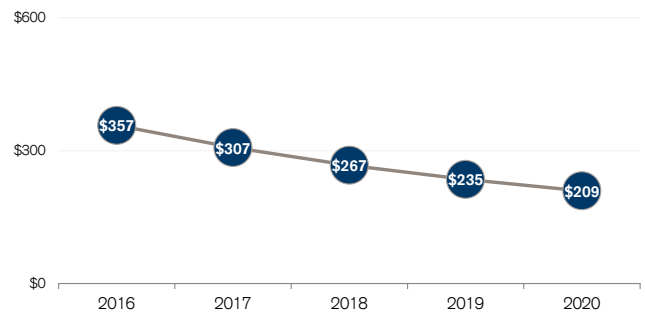
**Exhibit 15: Oculus - Unit Forecast**

In millions



Source: Company data, Credit Suisse estimates

**Exhibit 16: Oculus – Average ASP Forecast**



Source: Company data, Credit Suisse estimates

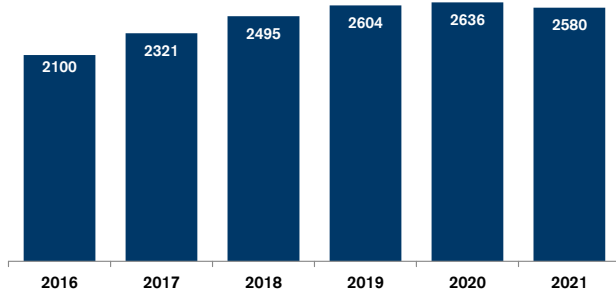
We expect Facebook to price the headsets at cost in an attempt to drive initial consumer adoption - with the expectation that the company plans to monetize the devices overtime via associated software revenue. Note that our current projections do not contemplate any software revenue, although at launch Oculus will be offering a number of made-for-VR games and video content from partnering developers and content owners – which include Sega, Lionsgate, Fox, Twitch, Hulu, and Vimeo.

Net-net, we expect Facebook will grow hardware revenue generated from Oculus at a 4% five-year CAGR from \$2.1 billion in FY16 to \$2.6 billion in FY21. However, given our assumption that Facebook will once-again demonstrate a willingness to forgo near-term monetization in return for increased product adoption, we are modeling an initial negative

gross profit impact from the initiative – with Oculus gross margins reaching breakeven by 2021 and contributing ~\$50 million in gross profit by FY22.

**Exhibit 17: Oculus – Hardware Revenue Forecast**

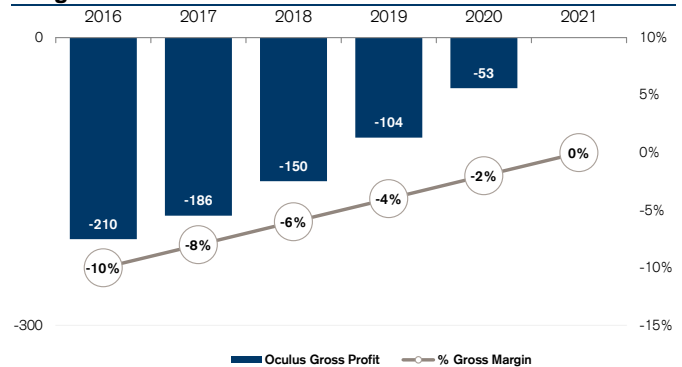
In \$US millions



Source: Company data, Credit Suisse estimates

**Exhibit 18: Oculus – Gross Profit Forecast & Gross Margin**

Margin



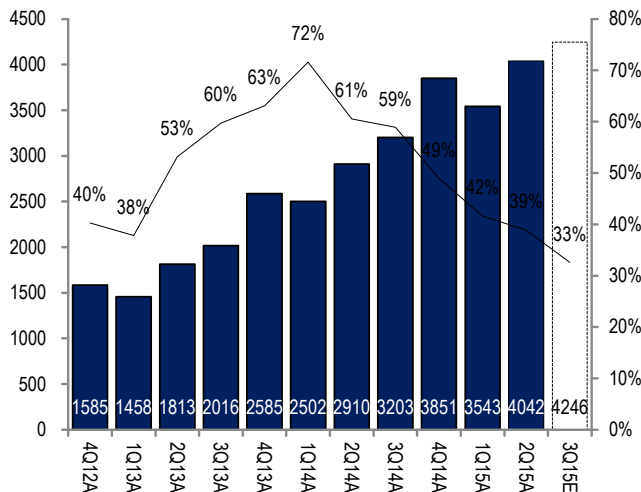
Source: Company data, Credit Suisse estimates

**Changes to Our Estimates**

We have made modest changes to our longer-term growth estimates as we now contemplate incremental Oculus revenue contribution, a faster ramp of revenue contribution from Facebook's Premium Video product and a more gradual ramp of FAN. Our quarterly estimates for Facebook are as shown below:

**Exhibit 19: Facebook, Inc. – Quarterly Net Revenue and Year Over Year Growth**

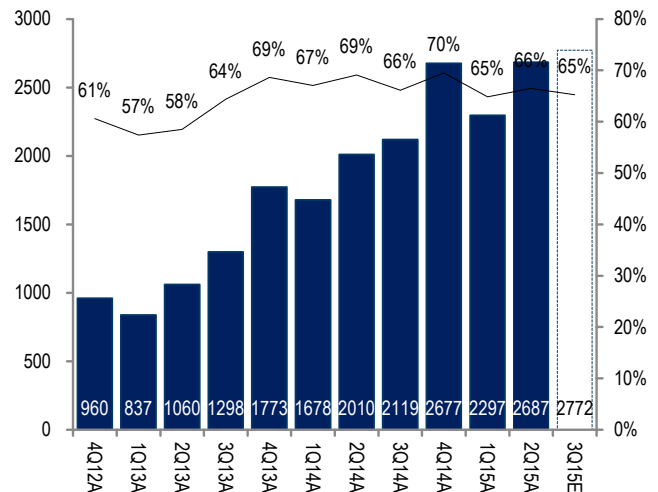
US \$ in billions



Source: Company data, Credit Suisse estimates

**Exhibit 20: Facebook, Inc. – Quarterly Adjusted EBITDA and Margin**

US \$ in billions



Source: Company data, Credit Suisse estimates

For 3Q15, we have increased both our revenue and adj. EBITDA estimates by 1.2% to \$4.24 billion and \$2.77 billion, respectively. For FY16, we have increased our revenue estimate by 6.8% to \$26.4 billion, but have decreased our adj. EBITDA estimate by 8.9% to \$14.6 billion as we increase our near-term OpEx estimates to reflect the ramp of Oculus.

For FY16, we are expecting mobile ad revenue to grow ~47% year-over-year to \$18.8 billion, representing 80% of Facebook's ad revenue, as new product initiatives such as Instagram and mobile video ads, as well as Facebook's recently launched Audience Network for third party mobile app developers, gain traction.

Our estimates versus consensus for revenue, adjusted EBITDA, and adjusted EPS are as shown below for 3Q15, FY16, FY17.

**Exhibit 21: Facebook, Inc. - Credit Suisse vs. Consensus Estimates**

US\$ in millions, unless otherwise stated

	3Q15			FY16			FY17		
	CS	Consensus	% Diff	CS	Consensus	% Diff	CS	Consensus	% Diff
<b>Revenue</b>	4246.5	4364.7	-2.7%	26379.1	23296.0	13.2%	32708.8	30273.7	8.0%
<b>Adjusted EBITDA</b>	2772.1	2703.8	2.5%	14635.2	14489.0	1.0%	19608.8	18785.0	4.4%
<b>Adjusted EPS</b>	\$0.51	\$0.52	-1.6%	\$2.92	\$2.75	6.3%	\$4.08	\$3.57	14.3%

Source: Company data, Credit Suisse estimates, Bloomberg

## Valuation

We utilize a discounted cash flow based valuation, in-line with the rest of our coverage universe, using a 10.5% weighted average cost of capital and a 3% terminal growth rate. As we have rolled-forward our DCF to end-of-2016 our price target increases to \$115 from \$110 prior.

**Exhibit 22: Facebook Inc. – Discounted Cash Flow Analysis**

in millions, unless otherwise stated

	2016E	2017E	2018E	2019E	2020E	2021E	CAGR '16-'21
EBITDA	14635.2	19608.8	24125.4	28928.8	33901.9	38999.1	21.7%
Net Income	5120.5	7990.7	11493.1	14571.8	17824.3	20666.9	32.2%
Depreciation & Amortization	2468.7	3021.2	3707.6	4227.9	4937.9	5726.8	18.3%
Other Non-Cash Charges (Benefits)	4772.7	5434.4	4927.4	5711.4	6485.7	7238.7	8.7%
Interest Expense (Income)	0.0	0.0	0.0	0.0	0.0	0.0	
Changes in Operating Assets & Liabilities	(553.2)	(696.5)	(719.1)	(754.0)	(765.3)	(774.7)	7.0%
<b>Unlevered Cash Flows</b>	<b>11808.7</b>	<b>15749.7</b>	<b>19409.0</b>	<b>23757.1</b>	<b>28482.6</b>	<b>32857.8</b>	22.7%
Capital Expenditures	3246.2	4034.7	4849.8	5081.8	5234.5	5557.3	11.4%
<b>Unlevered Free Cash Flows</b>	<b>8562.6</b>	<b>11715.1</b>	<b>14559.2</b>	<b>18675.3</b>	<b>23248.1</b>	<b>27300.5</b>	26.1%
YY % Change	90.9%	36.8%	24.3%	28.3%	24.5%	17.4%	

Weighted Average Cost of Capital  
Perpetual UFCF Growth Rate ("G")

	2016E
NPV of Unlevered Free Cash Flows	77094
+ Present Value of Terminal Value	227581
<b>= Enterprise Value</b>	<b>304675</b>
+ Off-Balance Sheet Assets	0.0
<b>= Adjusted Enterprise Value</b>	<b>304675</b>
- Year End Net Debt (Cash)	(24496)
<b>= Equity Value</b>	<b>329171</b>
/ Diluted Shares Outstanding	2850
<b>= Equity Value Per Share</b>	<b>\$115</b>

Source: Company data, Credit Suisse estimates

**Exhibit 23: Facebook Inc. – Quarterly Income Statement**

	2014A				2015E				2016E			
	1Q14A	2Q14A	3Q14A	4Q14A	1Q15A	2Q15A	3Q15E	4Q15E	1Q16E	2Q16E	3Q16E	4Q16E
<b>Revenues</b>	<b>2502.0</b>	<b>2910.0</b>	<b>3203.0</b>	<b>3851.0</b>	<b>3543.0</b>	<b>4042.0</b>	<b>4246.5</b>	<b>5643.0</b>	<b>5376.9</b>	<b>5888.6</b>	<b>6538.0</b>	<b>8575.6</b>
Cost of Revenue	462.0	473.0	565.0	653.0	654.0	668.0	725.0	810.6	1273.2	1127.3	1328.8	2234.1
Marketing and Sales	455.0	358.0	374.0	624.0	620.0	626.0	696.4	942.4	1247.4	895.1	993.8	1475.0
Research and Development	323.0	492.0	608.0	1111.0	1062.0	1170.0	1231.5	1495.4	1434.3	1510.2	1680.3	1989.5
General and Administrative	187.0	197.0	259.0	330.0	274.0	305.0	373.6	457.7	418.8	427.5	441.6	508.5
Total Operating Expenses	965.0	1047.0	1241.0	2065.0	1956.0	2101.0	2301.5	2895.4	3100.5	2832.8	3115.6	3973.0
<b>Operating Income</b>	<b>1075.0</b>	<b>1390.0</b>	<b>1397.0</b>	<b>1133.0</b>	<b>933.0</b>	<b>1273.0</b>	<b>1220.0</b>	<b>1936.9</b>	<b>1003.1</b>	<b>1928.5</b>	<b>2093.6</b>	<b>2368.5</b>
Other Income, Net	0.0	(4.0)	(61.0)	(19.0)	(1.0)	0.0	(5.6)	(10.2)	(13.9)	(17.5)	(21.3)	(26.1)
Pretax Income	1075.0	1386.0	1336.0	1114.0	932.0	1273.0	1214.4	1926.7	989.2	1911.0	2072.4	2342.4
Income Tax Expense (Benefit)	433.0	595.0	530.0	413.0	420.0	554.0	546.5	867.0	296.8	573.3	621.7	702.7
<b>Net Income</b>	<b>642.0</b>	<b>791.0</b>	<b>806.0</b>	<b>701.0</b>	<b>512.0</b>	<b>719.0</b>	<b>667.9</b>	<b>1059.7</b>	<b>692.5</b>	<b>1337.7</b>	<b>1450.7</b>	<b>1639.7</b>
Basic EPS to Common	\$0.25	\$0.31	\$0.31	\$0.25	\$0.18	\$0.26	\$0.24	\$0.38	\$0.24	\$0.47	\$0.51	\$0.57
Basic Shares Outstanding	2545.0	2560.0	2587.0	2761.0	2784.0	2796.0	2810.0	2824.0	2831.1	2838.2	2845.3	2852.4
<b>Diluted EPS</b>	<b>\$0.24</b>	<b>\$0.30</b>	<b>\$0.30</b>	<b>\$0.25</b>	<b>\$0.18</b>	<b>\$0.25</b>	<b>\$0.23</b>	<b>\$0.37</b>	<b>\$0.24</b>	<b>\$0.46</b>	<b>\$0.50</b>	<b>\$0.56</b>
Shares Outstanding	2609.0	2615.0	2644.0	2816.0	2836.0	2850.0	2864.0	2878.0	2885.1	2892.2	2899.3	2906.4
Operating Income	1075.0	1390.0	1397.0	1133.0	933.0	1273.0	1220.0	1936.9	1003.1	1928.5	2093.6	2368.5
Nonrecurring Items	25.0	8.0	11.0	13.0	25.0	12.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization of Acquired Intangibles	40.3	41.0	68.6	201.7	179.0	180.0	203.7	203.7	203.7	203.7	193.1	182.6
Stock-Based Compensation	274.0	314.0	353.0	896.0	703.0	763.0	836.6	1027.0	1041.8	1078.7	1203.0	1449.3
<b>Pro Forma Operating Income</b>	<b>1414.3</b>	<b>1753.0</b>	<b>1829.6</b>	<b>2243.7</b>	<b>1840.0</b>	<b>2228.0</b>	<b>2260.3</b>	<b>3167.7</b>	<b>2044.9</b>	<b>3007.2</b>	<b>3296.6</b>	<b>3817.8</b>
Depreciation and Amortization	223.7	216.0	220.4	231.3	278.0	279.0	308.1	342.5	372.9	403.7	435.4	473.5
<b>Adjusted EBITDA</b>	<b>1678.3</b>	<b>2010.0</b>	<b>2118.6</b>	<b>2676.7</b>	<b>2297.0</b>	<b>2687.0</b>	<b>2772.1</b>	<b>3713.9</b>	<b>2621.5</b>	<b>3614.7</b>	<b>3925.2</b>	<b>4473.9</b>
<b>Pro forma Net Income Reconciliation</b>												
Pro Forma Operating Income	1414.3	1753.0	1829.6	2243.7	1840.0	2228.0	2260.3	3167.7	2044.9	3007.2	3296.6	3817.8
Other Income, Net	0.0	(4.0)	(61.0)	(19.0)	(1.0)	0.0	(5.6)	(10.2)	(13.9)	(17.5)	(21.3)	(26.1)
Pretax Income	1414.3	1749.0	1768.6	2224.7	1839.0	2228.0	2254.7	3157.4	2031.0	2989.7	3275.4	3791.7
GAAP Income Tax Expense (Benefit)	433.0	595.0	530.0	413.0	420.0	554.0	546.5	867.0	296.8	573.3	621.7	702.7
Total Taxes	489.0	628.0	610.0	682.0	650.0	791.0	789.1	1105.1	609.3	896.9	982.6	1137.5
<b>Pro Forma Net Income</b>	<b>925.3</b>	<b>1121.0</b>	<b>1158.6</b>	<b>1542.7</b>	<b>1189.0</b>	<b>1437.0</b>	<b>1465.5</b>	<b>2052.3</b>	<b>1421.7</b>	<b>2092.8</b>	<b>2292.8</b>	<b>2654.2</b>
<b>Adjusted EPS - Diluted</b>	<b>\$0.35</b>	<b>\$0.43</b>	<b>\$0.44</b>	<b>\$0.55</b>	<b>\$0.42</b>	<b>\$0.50</b>	<b>\$0.51</b>	<b>\$0.71</b>	<b>\$0.49</b>	<b>\$0.72</b>	<b>\$0.79</b>	<b>\$0.91</b>
<b>Y/Y % Change</b>												
Revenue	71.6%	60.5%	58.9%	49.0%	41.6%	38.9%	32.6%	46.5%	51.8%	45.7%	54.0%	52.0%
Operations and Support	11.9%	1.7%	11.4%	33.0%	41.6%	41.2%	28.3%	24.1%	94.7%	68.8%	83.3%	175.6%
Sales and Marketing	124.1%	33.1%	60.5%	113.7%	36.3%	74.9%	86.2%	51.0%	101.2%	43.0%	42.7%	56.5%
Technology	10.2%	43.0%	64.8%	172.3%	228.8%	137.8%	102.5%	34.6%	35.1%	29.1%	36.4%	33.0%
General and Administrative	6.3%	13.9%	51.5%	26.4%	46.5%	54.8%	44.2%	38.7%	52.9%	40.2%	18.2%	11.1%
Operating Income	188.2%	147.3%	89.8%	0.0%	-13.2%	-8.4%	-12.7%	71.0%	7.5%	51.5%	71.6%	22.3%
Net Income	193.2%	137.5%	89.6%	34.0%	-20.2%	-9.1%	-17.1%	51.2%	35.2%	86.0%	117.2%	54.7%
Adjusted EBITDA	100.5%	89.5%	63.2%	50.9%	36.9%	33.7%	30.8%	38.8%	14.1%	34.5%	41.6%	20.5%
Pro Forma Net Income	176.1%	115.8%	73.9%	89.2%	28.5%	28.2%	26.5%	33.0%	19.6%	45.6%	56.4%	29.3%
Adjusted EPS - Diluted	164.5%	106.5%	66.3%	71.9%	18.2%	17.6%	16.8%	30.2%	17.5%	43.5%	54.5%	28.1%
<b>Margins</b>												
Gross Margin	81.5%	83.7%	82.4%	83.0%	81.5%	83.5%	82.9%	85.6%	76.3%	80.9%	79.7%	73.9%
GAAP Operating Margin	43.0%	47.8%	43.6%	29.4%	26.3%	31.5%	28.7%	34.3%	18.7%	32.8%	32.0%	27.6%
Pro Forma Operating Margin	56.5%	60.2%	57.1%	58.3%	51.9%	55.1%	53.2%	56.1%	38.0%	51.1%	50.4%	44.5%
Adjusted EBITDA Margin	67.1%	69.1%	66.1%	69.5%	64.8%	66.5%	65.3%	65.8%	48.8%	61.4%	60.0%	52.2%
Net Income Margin	25.7%	27.2%	25.2%	18.2%	14.5%	17.8%	15.7%	18.8%	12.9%	22.7%	22.2%	19.1%
Adjusted Net Income Margin	37.0%	38.5%	36.2%	40.1%	33.6%	35.6%	34.5%	36.4%	26.4%	35.5%	35.1%	31.0%

Source: Company data, Credit Suisse estimates

**Exhibit 24: Facebook Inc. – Annual Income Statement**

	2014A	2015E	2016E	2017E	2018E	2019E	2020E	CAGR '15-'20
<b>Revenues</b>	<b>12466.0</b>	<b>17474.4</b>	<b>26379.1</b>	<b>32708.8</b>	<b>38798.7</b>	<b>44971.7</b>	<b>51068.3</b>	<b>23.9%</b>
Cost of Revenue	2153.0	2857.6	5963.4	7135.8	8303.0	9458.3	10517.1	29.8%
Marketing and Sales	1811.0	2884.8	4611.3	4817.0	5550.9	6211.0	6799.4	18.7%
Research and Development	2534.0	4958.9	6614.3	7658.5	7371.7	8319.8	9192.3	13.1%
General and Administrative	973.0	1410.3	1796.4	1944.2	2082.7	1993.1	2081.1	8.1%
Total Operating Expenses	5318.0	9253.9	13021.9	14419.8	15005.3	16523.9	18072.8	14.3%
<b>Operating Income</b>	<b>4995.0</b>	<b>5362.9</b>	<b>7393.8</b>	<b>11153.3</b>	<b>15490.3</b>	<b>18989.5</b>	<b>22478.3</b>	<b>33.2%</b>
Other Income, Net	(84.0)	(16.8)	(78.8)	(131.6)	(166.2)	(187.2)	(197.9)	63.7%
Pretax Income	4911.0	5346.1	7315.0	11021.7	15324.1	18802.3	22280.4	33.0%
Income Tax Expense (Benefit)	1971.0	2387.5	2194.5	3031.0	3831.0	4230.5	4456.1	13.3%
<b>Net Income</b>	<b>2940.0</b>	<b>2958.6</b>	<b>5120.5</b>	<b>7990.7</b>	<b>11493.1</b>	<b>14571.8</b>	<b>17824.3</b>	<b>43.2%</b>
Basic EPS to Common	\$1.12	\$1.05	\$1.80	\$2.78	\$3.96	\$4.98	\$6.03	41.8%
Basic Shares Outstanding	2613.3	2803.5	2841.7	2870.2	2899.1	2928.2	2957.5	1.1%
<b>Diluted EPS</b>	<b>\$1.10</b>	<b>\$1.03</b>	<b>\$1.77</b>	<b>\$2.73</b>	<b>\$3.89</b>	<b>\$4.98</b>	<b>\$6.03</b>	<b>42.3%</b>
Shares Outstanding	2671.0	2857.0	2895.7	2924.2	2953.1	2928.2	2957.5	0.7%
<b>EBITDA Reconciliation</b>								
Operating Income	4995.0	5362.9	7393.8	11153.3	15490.3	18989.5	22478.3	33.2%
Nonrecurring Items	57.0	37.0	0.0	0.0	0.0	0.0	0.0	
Amortization of Acquired Intangibles	351.6	766.5	783.2	730.5	704.5	419.1	293.7	
Stock-Based Compensation	1837.0	3329.6	4772.7	5434.4	4927.4	5711.4	6485.7	14.3%
<b>Pro Forma Operating Income</b>	<b>7240.6</b>	<b>9495.9</b>	<b>12166.5</b>	<b>16587.6</b>	<b>20417.8</b>	<b>24700.9</b>	<b>28964.0</b>	<b>25.0%</b>
Depreciation and Amortization	891.4	1207.6	1685.5	2290.7	3003.1	3808.8	4644.2	30.9%
<b>Adjusted EBITDA</b>	<b>8483.6</b>	<b>11470.0</b>	<b>14635.2</b>	<b>19608.8</b>	<b>24125.4</b>	<b>28928.8</b>	<b>33901.9</b>	<b>24.2%</b>
<b>Pro forma Net Income Reconciliation</b>								
Pro Forma Operating Income	7240.6	9495.9	12166.5	16587.6	20417.8	24700.9	28964.0	25.0%
Other Income, Net	(84.0)	(16.8)	(78.8)	(131.6)	(166.2)	(187.2)	(197.9)	
Pretax Income	7156.6	9479.1	12087.7	16456.0	20251.6	24513.7	28766.1	24.9%
GAAP Income Tax Expense (Benefit)	1971.0	2387.5	2194.5	3031.0	3831.0	4230.5	4456.1	13.3%
Total Taxes	2409.0	3335.2	3626.3	4525.4	5062.9	5515.6	5753.2	11.5%
<b>Pro Forma Net Income</b>	<b>4747.6</b>	<b>6143.9</b>	<b>8461.4</b>	<b>11930.6</b>	<b>15188.7</b>	<b>18998.1</b>	<b>23012.9</b>	<b>30.2%</b>
<b>Adjusted EPS - Diluted</b>	<b>\$1.78</b>	<b>\$2.15</b>	<b>\$2.92</b>	<b>\$4.08</b>	<b>\$5.14</b>	<b>\$6.49</b>	<b>\$7.78</b>	<b>29.3%</b>
<b>Y/Y % Change</b>								
Revenue	58.4%	40.2%	51.0%	24.0%	18.6%	15.9%	13.6%	
Operations and Support	14.8%	32.7%	108.7%	19.7%	16.4%	13.9%	11.2%	
Sales and Marketing	81.6%	59.3%	59.8%	4.5%	15.2%	11.9%	9.5%	
Technology	79.2%	95.7%	33.4%	15.8%	-3.7%	12.9%	10.5%	
General and Administrative	24.6%	44.9%	27.4%	8.2%	7.1%	-4.3%	4.4%	
Operating Income	78.1%	7.4%	37.9%	50.8%	38.9%	22.6%	18.4%	
Net Income	96.0%	0.6%	73.1%	56.1%	43.8%	26.8%	22.3%	
Adjusted EBITDA	70.7%	35.2%	27.6%	34.0%	23.0%	19.9%	17.2%	
Pro Forma Net Income	103.2%	29.4%	37.7%	41.0%	27.3%	25.1%	21.1%	
Adjusted EPS - Diluted	91.9%	21.0%	35.9%	39.6%	26.1%	26.1%	19.9%	
<b>Margins</b>								
Gross Margin	82.7%	83.6%	77.4%	78.2%	78.6%	79.0%		
GAAP Operating Margin	40.1%	30.7%	28.0%	34.1%	39.9%	42.2%	44.0%	
Pro Forma Operating Margin	58.1%	54.3%	46.1%	50.7%	52.6%	54.9%	56.7%	
Adjusted EBITDA Margin	68.1%	65.6%	55.5%	59.9%	62.2%	64.3%	66.4%	
Net Income Margin	23.6%	16.9%	19.4%	24.4%	29.6%	32.4%	34.9%	
Adjusted Net Income Margin	38.1%	35.2%	32.1%	36.5%	39.1%	42.2%	45.1%	

Source: Company data, Credit Suisse estimates



**Exhibit 25: Facebook Inc. – Cash Flow Statement**

	2014A	2015E	2016E	2017E	2018E	2019E	2020E
<b>Operating Activities</b>							
Net Income	2940.0	2958.6	5120.5	7990.7	11493.1	14571.8	17824.3
Depreciation and Amortization	1243.0	1974.1	2468.7	3021.2	3707.6	4227.9	4937.9
Loss on Write-Off of Equipment	(31.0)	0.0	0.0	0.0	0.0	0.0	0.0
Stock-Based Compensation	1786.0	3320.6	4772.7	5434.4	4927.4	5711.4	6485.7
Deferred Income Tax	(210.0)	(289.0)	0.0	0.0	0.0	0.0	0.0
Tax Benefit from Share-Based Award Activity	1853.0	809.0	0.0	0.0	0.0	0.0	0.0
Excess Tax Benefit from Share-Based Award Activity	(1869.0)	(809.0)	0.0	0.0	0.0	0.0	0.0
Accounts Receivable	(610.0)	(895.2)	(904.6)	(754.2)	(787.1)	(808.2)	(806.8)
Income Tax Refundable	(44.0)	0.0	0.0	0.0	0.0	0.0	0.0
Prepaid Expenses and Other Current Assets	(79.0)	(418.5)	(461.9)	(198.9)	(276.3)	(251.3)	(242.9)
Other Assets	(216.0)	(25.0)	0.0	0.0	0.0	0.0	0.0
Accounts Payable	31.0	62.5	143.9	34.3	43.0	37.0	32.9
Platform Partners Payable	(28.0)	(19.0)	(2.0)	1.0	6.1	5.0	4.4
Accrued Expenses and Other Current Liabilities	328.0	108.5	461.9	198.9	276.3	251.3	242.9
Deferred Revenue and Deposits	10.0	(23.0)	209.5	22.3	18.9	12.2	4.2
Other Liabilities	346.0	350.0	0.0	0.0	0.0	0.0	0.0
Other	7.0	7.0	0.0	0.0	0.0	0.0	0.0
<b>Net Cash from Operating Activities</b>	<b>5457.0</b>	<b>7111.5</b>	<b>11808.7</b>	<b>15749.7</b>	<b>19409.0</b>	<b>23757.1</b>	<b>28482.6</b>
<b>Investing Activities</b>							
Purchases of Property and Equipment	(1831.0)	(2625.0)	(3246.2)	(4034.7)	(4849.8)	(5081.8)	(5234.5)
Purchases of Marketable Securities	(9104.0)	(5560.0)	0.0	0.0	0.0	0.0	0.0
Maturities of Marketable Securities	2757.0	715.0	0.0	0.0	0.0	0.0	0.0
Sales of Marketable Securities	7590.0	2726.0	0.0	0.0	0.0	0.0	0.0
Investments in Non-Marketable Equity Securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Acquisitions of Businesses, Net of Cash and Purchases of	(4975.0)	(282.0)	0.0	0.0	0.0	0.0	0.0
Change in Restricted Cash	(349.0)	44.0	0.0	0.0	0.0	0.0	0.0
Other	(1.0)	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net Cash Used in Investing Activities</b>	<b>(5913.0)</b>	<b>(4982.0)</b>	<b>(3246.2)</b>	<b>(4034.7)</b>	<b>(4849.8)</b>	<b>(5081.8)</b>	<b>(5234.5)</b>
<b>Financing Activities</b>							
Proceeds from Issuance of Convertible Preferred Stock	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Proceeds from Issuance of Common Stock	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Proceeds from Exercise of Stock Options	18.0	0.0	0.0	0.0	0.0	0.0	0.0
Proceeds from (Repayments of) Long-Term Debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Proceeds from Sale and Lease-Back Transactions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Principal Payments on Capital Lease Obligations	(243.0)	511.9	1154.2	834.3	528.9	308.4	134.5
Excess Tax Benefit from Share-Based Award Activity	1869.0	809.0	0.0	0.0	0.0	0.0	0.0
Other	(73.0)	(12.0)	0.0	0.0	0.0	0.0	0.0
<b>Net Cash Used in Financing Activities</b>	<b>1571.0</b>	<b>1308.9</b>	<b>1154.2</b>	<b>834.3</b>	<b>528.9</b>	<b>308.4</b>	<b>134.5</b>
Effect of Exchange rate	(123.0)	(77.0)	0.0	0.0	0.0	0.0	0.0
Net Increase (Decrease) in Cash and Equivalents	992.0	3361.4	9716.8	12549.4	15088.1	18983.7	23382.6
Cash and Equivalents, Beginning of Period	3323.0	4315.0	7676.4	17393.2	29942.6	45030.7	64014.4
<b>Cash and Equivalents, End of Period</b>	<b>4315.0</b>	<b>7676.4</b>	<b>17393.2</b>	<b>29942.6</b>	<b>45030.7</b>	<b>64014.4</b>	<b>87397.0</b>

Source: Company data, Credit Suisse estimates

**Exhibit 26: Facebook Inc. – Balance Sheet**

	2014A	2015E	2016E	2017E	2018E	2019E	2020E
<b>Assets:</b>							
Cash and Cash Equivalents	4315.0	7676.4	17393.2	29942.6	45030.7	64014.4	87397.0
Marketable Securities	6884.0	9002.0	9002.0	9002.0	9002.0	9002.0	9002.0
Accounts Receivable	1678.0	2512.2	3416.8	4171.0	4958.1	5766.3	6573.1
Income Tax Refundable	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Prepaid Expenses and Other	793.0	1339.5	1801.4	2000.3	2276.6	2527.9	2770.8
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Current Assets</b>	<b>13670.0</b>	<b>20530.2</b>	<b>31613.4</b>	<b>45115.9</b>	<b>61267.4</b>	<b>81310.6</b>	<b>105742.9</b>
Property and Equipment, Net	3967.0	5878.4	7439.1	9183.0	11029.7	12302.8	12893.1
Goodwill and Intangible Assets, Net	21910.0	39099.5	38316.3	37585.9	36881.4	36462.3	36168.6
Other Assets	637.0	594.0	594.0	594.0	594.0	594.0	594.0
<b>Total Assets</b>	<b>40184.0</b>	<b>66102.1</b>	<b>77962.8</b>	<b>92478.8</b>	<b>109772.5</b>	<b>130669.7</b>	<b>155398.6</b>
<b>Liabilities:</b>							
Accounts Payable	176.0	185.5	329.4	363.7	406.8	443.8	476.7
Platform Partners Payable	202.0	182.0	180.0	181.0	187.2	192.2	196.6
Accrued Expenses and Other Current Liabilities	866.0	1339.5	1801.4	2000.3	2276.6	2527.9	2770.8
Deferred Revenue and Deposits	66.0	43.0	252.5	274.8	293.7	305.9	310.0
Current Portion of Capital Lease Obligations	114.0	131.3	656.6	1168.1	1518.2	1734.3	1849.5
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Current Liabilities</b>	<b>1424.0</b>	<b>1881.3</b>	<b>3220.0</b>	<b>3987.9</b>	<b>4682.4</b>	<b>5204.0</b>	<b>5603.6</b>
Capital Lease Obligations, Less Current Portion	119.0	613.6	1242.4	1565.3	1744.1	1836.4	1855.8
Long-Term Debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Liabilities	2545.0	2687.0	2687.0	2687.0	2687.0	2687.0	2687.0
<b>Total Liabilities</b>	<b>4088.0</b>	<b>5181.9</b>	<b>7149.4</b>	<b>8240.3</b>	<b>9113.5</b>	<b>9727.5</b>	<b>10146.4</b>
<b>Shareholder's Equity:</b>							
Convertible Preferred Stock	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Common Stock	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Additional Paid-In Capital	30225.0	52219.6	56992.3	62426.7	67354.1	73065.5	79551.2
Treasury Stock	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accumulated Other Comprehensive Loss	(228.0)	(357.0)	(357.0)	(357.0)	(357.0)	(357.0)	(357.0)
Retained Earnings	6099.0	9057.6	14178.1	22168.8	33661.9	48233.7	66058.0
Total Shareholder's Equity	36096.0	60920.2	70813.4	84238.5	100659.0	120942.2	145252.2
<b>Total Liabilities and Shareholder's Equity</b>	<b>40184.0</b>	<b>66102.1</b>	<b>77962.8</b>	<b>92478.8</b>	<b>109772.5</b>	<b>130669.7</b>	<b>155398.6</b>

Source: Company data, Credit Suisse estimates

**Companies Mentioned** (Price as of 08-Oct-2015)

**Cheetah Mobile Inc** (CMCM.N, \$17.1)  
**Facebook Inc.** (FB.OQ, \$92.47, OUTPERFORM, TP \$115.0)  
**Glu Mobile** (GLUU.OQ, \$4.04)  
**Google, Inc.** (GOOGL.OQ, \$667.0)  
**Millennial Media** (MM.N, \$1.74)  
**Rubicon Project** (RUBI.N, \$16.25)  
**Samsung Electronics** (005930.KS, W1,270,000)  
**Zynga Inc** (ZNGA.OQ, \$2.46)

Disclosure Appendix

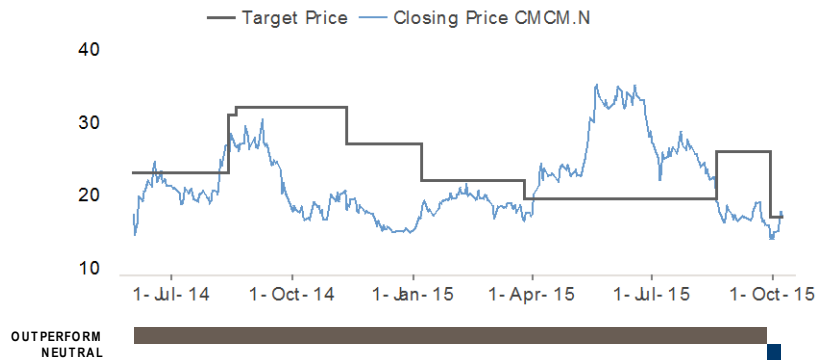
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**3-Year Price and Rating History for Cheetah Mobile Inc (CMCM.N)**

CMCM.N	Closing Price	Target Price	Rating
Date	(US\$)	(US\$)	
02-Jun-14	17.30	23.00	O *
13-Aug-14	26.89	31.00	
19-Aug-14	26.66	32.00	
24-Sep-14	21.70		*
03-Nov-14	19.16	32.00	O
11-Nov-14	18.02	27.00	
07-Jan-15	17.89	22.00	
26-Mar-15	16.52	19.50	
19-Aug-15	19.12	26.00	
29-Sep-15	14.00	17.00	N

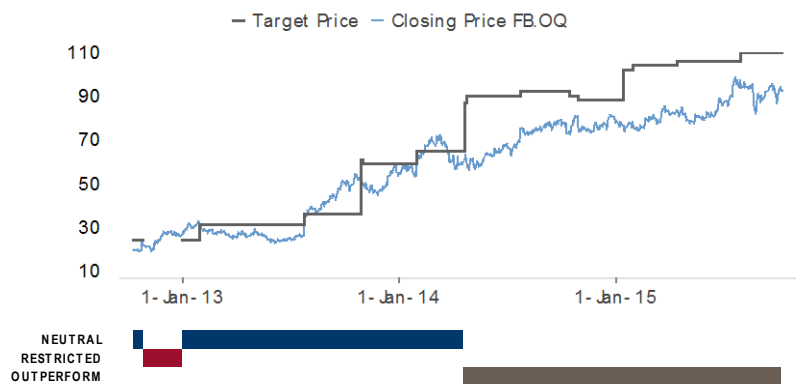
\* Asterisk signifies initiation or assumption of coverage.



**3-Year Price and Rating History for Facebook Inc. (FB.OQ)**

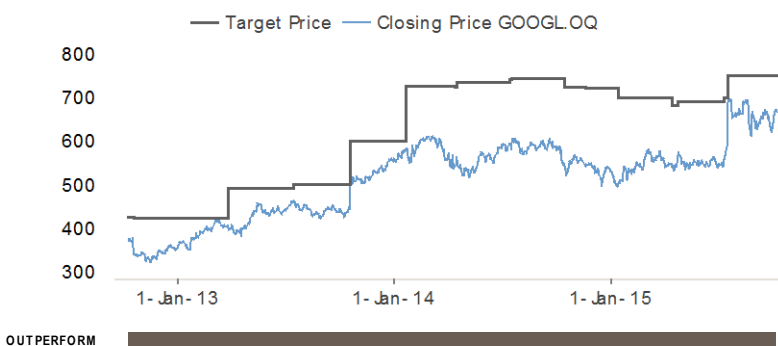
FB.OQ	Closing Price	Target Price	Rating
Date	(US\$)	(US\$)	
10-Oct-12	19.64	24.00	N *
26-Oct-12	21.96		R
31-Dec-12	26.63	24.00	N
29-Jan-13	30.79	31.00	
25-Jul-13	34.36	36.00	
28-Oct-13	50.25	61.00	
31-Oct-13	50.26	59.00	
19-Dec-13	55.05		R
20-Dec-13	55.10	59.00	N
30-Jan-14	61.05	65.00	
21-Apr-14	61.24	87.00	O
24-Apr-14	60.87	90.00	
24-Jul-14	74.98	92.00	
14-Oct-14	73.59	90.00	
29-Oct-14	75.86	88.00	
14-Jan-15	76.28	102.00	
29-Jan-15	78.00	104.00	
14-Apr-15	83.52	106.00	
30-Jul-15	95.21	110.00	

\* Asterisk signifies initiation or assumption of coverage.



### 3-Year Price and Rating History for Google, Inc. (GOOGL.OQ)

GOOGL.OQ	Closing Price	Target Price	
Date	(US\$)	(US\$)	Rating
10-Oct-12	372.64	425.41	O *
19-Oct-12	341.23	423.91	
27-Mar-13	401.72	491.48	
15-Jul-13	462.79	500.48	
18-Oct-13	506.32	600.58	
21-Jan-14	582.41	725.70	
14-Apr-14	545.20	725.00	
17-Apr-14	543.34	735.00	
14-Jul-14	594.26	742.00	
18-Jul-14	605.11	745.00	
14-Oct-14	548.69	723.00	
19-Nov-14	547.20	722.00	
14-Jan-15	505.93	700.00	
14-Apr-15	539.78	683.00	
24-Apr-15	573.66	690.00	
10-Jul-15	556.11	700.00	
17-Jul-15	699.62	750.00	



\* Asterisk signifies initiation or assumption of coverage.

### 3-Year Price and Rating History for Samsung Electronics (005930.KS)

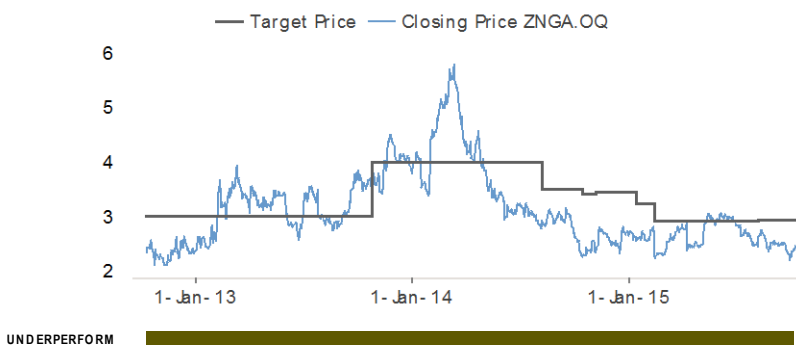
005930.KS	Closing Price	Target Price	
Date	(W)	(W)	Rating
26-Oct-12	1,287,000	1,700,000	O
27-Nov-12	1,416,000	1,720,000	
06-Feb-13	1,427,000	1,900,000	
27-Jan-14	1,292,000	1,760,000	
07-Jul-14	1,292,000	1,740,000	
08-Jul-14	1,295,000	1,720,000	
28-Aug-14	1,242,000	1,700,000	
07-Oct-14	1,162,000	1,680,000	
03-Sep-15	1,122,000	1,630,000	



\* Asterisk signifies initiation or assumption of coverage.

### 3-Year Price and Rating History for Zynga Inc (ZNGA.OQ)

ZNGA.OQ	Closing Price	Target Price	
Date	(US\$)	(US\$)	Rating
10-Oct-12	2.35	3.00	U *
25-Oct-13	3.73	4.00	
08-Aug-14	2.88	3.50	
14-Oct-14	2.27	3.42	
07-Nov-14	2.43	3.44	
14-Jan-15	2.60	3.24	
13-Feb-15	2.24	2.92	
07-Aug-15	2.64	2.94	



\* Asterisk signifies initiation or assumption of coverage.

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**Neutral (N)** : The stock's total return is expected to be in line with the relevant benchmark\* over the next 12 months.

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Underperform/Sell*	13%	(23% banking clients)
Restricted	2%	

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**Price Target: (12 months) for Facebook Inc. (FB.OQ)**

**Method:** We use the discounted cash flow (DCF) method to calculate our \$115 target price for Facebook. Our five-year DCF uses a 3% terminal growth rate and 10.5% discount rate. We apply this discount rate to our 2016-2021 unlevered free cash flow estimates for Facebook. We use our discounted unlevered FCF (free cash flow) estimates from 2016 through 2021 to arrive at the stock's current trading price.

**Risk:** Risks to our \$115 target price for Facebook are: growth in mobile engagement which currently has limited monetization, future monetization initiatives do not materialize, limited ability for public shareholders to influence key decisions because of dual class voting stock, deteriorating global economy, competition, unpredictable investment spending, and potential impacts from data privacy and data protection regulations/laws.

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