



Assignment 2: The Facebook Deal

Due Week 6, Day 7 (Weight: 16.5%)

The following are specific course learning outcomes associated with this assignment:

- Evaluate the qualities of effective corporate governance.
- Use technology and information resources to research issues in advanced financial management.
- Write clearly and concisely about advanced financial management using proper writing mechanics.

Introduction:

- The past two modules have been a bit of a mash-up of different ideas and tools, which makes it difficult to ask you to perform a neat, simple task that covers all the material that we covered. Instead, we're going to ask you to synthesize the bigger concepts from past lectures. We're going to do so using a company that most everyone is familiar with: Facebook.
- Facebook, as everyone pretty much knows now, rocketed to popularity starting in 2005 and hasn't looked back since. As you might expect from a highly successful, capital-intensive, high-tech operation that's growing at blazing speeds, the company has gone through several rounds of financing to finance business growth. We're going to ask you to look at that financing and explain to us what happened.
- Though a savvy researcher could find these transactions herself via Google if she truly wanted to, we've gone ahead and pulled the big ones up for you in chronological order to save you some time. We encourage you to investigate each of these further, however. There's no shortage of background on each of these. Here they are in nice news-bite capsules for digestion:
 - The Facebook group announced that it has raised between \$10 million to \$12 million in first-round financing led by Accel Partners on April 15, 2005. As a part of the transaction, Jim Beyers, a Managing Partner at Accel Partners, joined the company's board. The post-money valuation of the company was \$100 million.
 - Facebook, Inc. announced that it has raised \$27.5 million in its third round of funding led by new investor Greylock Partners on April 19, 2006. New investor MeriTech Capital Partners and existing investor Accel Partners invested in the transaction. The post-money valuation of the company was \$525 million.
 - Facebook, Inc. announced that it will raise \$240 million in an equity round of funding from new investor Microsoft Corporation on October 24, 2007. As a result of the transaction, Microsoft Corporation will now hold 1.60% stake in the company. The round was raised at a post-money valuation of \$15,000 million.
 - Facebook, Inc. announced that it has raised \$200 million in funding from Digital Sky Technologies Limited on May 26, 2009. Digital Sky Technologies Limited invested in preferred stock and acquired 1.96% stake, valuing the company at \$10 billion.
- So what really happened here? What were the major events surrounding and shaping these investments? We want you to tell us the story of the business as it unfolded through these massive transactions.
- In order to successfully complete this assignment, you'll have to rely on your powers to navigate the world-wide web and your ability to work backwards a bit. The information is out there if you know how to look. Remember that until recently, this was a private company, so we can't easily verify estimates on these financial numbers. So, be sure to justify your thinking with plenty of evidence from similar businesses and events. Good luck!



Write a minimum 4 page paper in which you do the following:

1. Briefly describe the type of financing that was being used here and why it was used for each round of funding.
2. Speculate as to what the money was used for after each successive round of financing. (Don't forget, Facebook was raising money to finance certain projects.)
3. Provide an explanation behind the company's bubbly corporate valuation during this time.
4. Determine how outside investors were valuing this company. (Hint: look at similar businesses.)
5. Estimate the company's major financial numbers (revenue ,net income, or other financial metrics) during each of the four rounds for financing.

Your assignment should adhere to these guidelines:

- Write in a logical, well-organized conventional business style. Use Times New Roman font size 12 or similar, double-space, and leave ample white space per page.
- All references must follow JWMI style guide, and works must be cited appropriately. Check with your professor for any additional instructions on citations.
- On the first page or in a header, include the title of the assignment, the student's name, the professor's name, the course title, and the date. Title and reference pages are not included in the assignment page length.
- Faculty have discretion to penalize for assignments over or under the assignment guidelines. Check with your individual professor if you feel the assignment requires a much longer or shorter treatment than recommended.

Grading for this assignment will be based on answer quality, logic/organization of the paper, and language and writing skills, using the following grading criteria.

Weight: 16.5%	Assignment 2: The Face Deal Book				
Criteria	Unsatisfactory	Low Pass	Pass	High Pass	Honors
1. Describe the type of financing that was being used and why it was being used for each round of funding. Weight: 15%	Did not submit or incompletely described the type of financing that is being used here and why it is being used for each round of funding.	Partially described the type of financing that is being used here and why it is being used for each round of funding.	Satisfactorily described the type of financing that is being used here and why it is being used for each round of funding.	Completely described the type of financing that is being used here and why it is being used for each round of funding.	Exemplarily described the type of financing that is being used here and why it is being used for each round of funding.



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Criteria	Unsatisfactory	Low Pass	Pass	High Pass	Honors
2. Speculate as to what the money was being used for after each successive round of financing. Weight: 15%	Did not submit or incompletely speculated as to what the money is being used for after each successive round of financing.	Partially speculated as to what the money is being used for after each successive round of financing.	Satisfactorily speculated as to what the money is being used for after each successive round of financing.	Completely speculated as to what the money is being used for after each successive round of financing.	Exemplarily speculated as to what the money is being used for after each successive round of financing.
3. Provide an explanation behind the company's bubbly corporate valuation during this time. Weight: 20%	Did not submit or incompletely provided an explanation behind the company's bubbly corporate valuation.	Partially provided an explanation behind the company's bubbly corporate valuation.	Satisfactorily provided an explanation behind the company's bubbly corporate valuation.	Completely provided an explanation behind the company's bubbly corporate valuation.	Exemplarily provided an explanation behind the company's bubbly corporate valuation.
4. Determine how outside investors were valuing this company. Weight: 20%	Did not submit or incompletely determined how outside investors are valuing this company.	Partially determined how outside investors are valuing this company.	Satisfactorily determined how outside investors are valuing this company.	Thoroughly determined how outside investors are valuing this company.	Exemplarily determined how outside investors are valuing this company.
5. Estimate the company's major financial numbers (revenue and net income, or other financial metrics) based on the implied valuation during each of the four rounds for financing of the most recent investment. Weight: 20%	Did not submit or incompletely estimated the company's major financial numbers (revenue and net income, or other financial metrics) based on the implied valuation of the most recent investment.	Partially estimated the company's major financial numbers (revenue and net income, or other financial metrics) based on the implied valuation of the most recent investment.	Satisfactorily estimated the company's major financial numbers (revenue and net income, or other financial metrics) based on the implied valuation of the most recent investment.	Thoroughly estimated the company's major financial numbers (revenue and net income, or other financial metrics) based on the implied valuation of the most recent investment.	Exemplarily estimated the company's major financial numbers (revenue and net income, or other financial metrics) based on the implied valuation of the most recent investment.



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Criteria	Unsatisfactory	Low Pass	Pass	High Pass	Honors
6. Clarity, writing mechanics, and formatting requirements. Weight: 10%	Multiple mechanical errors or much of the text is difficult to understand and fails to follow formatting instructions. The text does not flow.	Several mechanical errors make the parts of the text difficult for the reader to understand; the text does not flow or the discussion fails to justify conclusions and assertions.	More than a few mechanical errors; text flows but lacks conciseness or clarity; assertions and conclusions are generally justified and explained.	Few mechanical errors; text flows and concisely and clearly expresses the student's position in a manner that rationally and logically develops the topics.	No mechanical errors; text flows and concisely and clearly expresses the student's position in an exemplary manner that rationally and logically develops the topics.