



Facebook value drops 26% Worst-ever stock market crash

- By Ankit Agrawal

Facebook stock plummets 26% in its biggest one-day drop ever

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KEY POINTS

- Shares of Facebook parent Meta plunged Thursday after the company forecasted weaker-than-expected revenue growth in the next quarter.
- The company blamed privacy changes to Apple's iOS and macroeconomic challenges weighing on advertiser budgets.
- Other social media stocks were down Thursday following Facebook's plunge.



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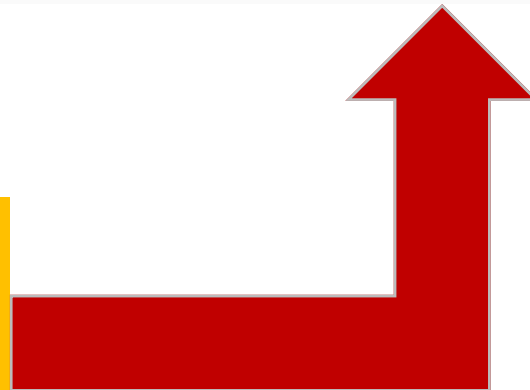
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WHAT HAS HAPPENED?

Meta, the company **formerly known as Facebook**, suffered its biggest **one-day wipeout ever on Thursday**,

As its stock **plummeted 26%** and its **market value plunged by more than \$230 billion**.

The market cap is now about \$660 billion.

Meta's **previous biggest drop** happened in summer **2018**, when it was still called Facebook and **lost \$121 billion** from its value in one day.

237.76 USD

NASDAQ: FB

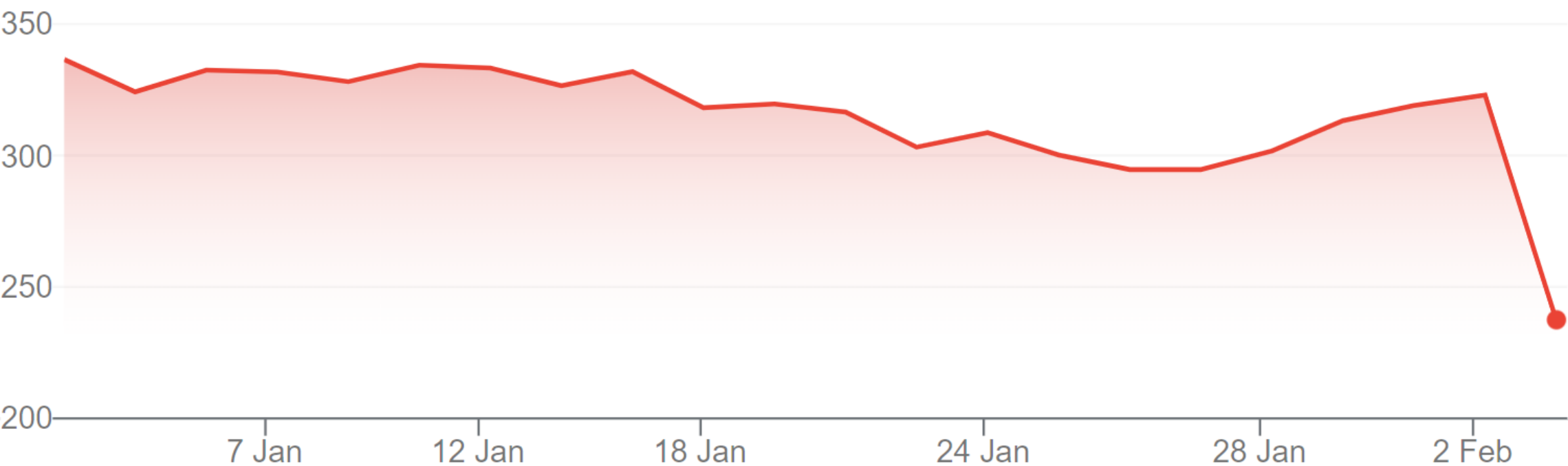
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-98.77 (-29.35%) ↓ past month

Closed: 3 Feb, 7:59 pm GMT-5 • Disclaimer

After hours 241.50 +3.74 (1.57%)

1D | 5D | 1M | 6M | YTD | 1Y | 5Y | Max



IMMEDIATE REASON

Its crash followed a **dismal earnings report** on Wednesday, when Mark Zuckerberg, the **chief executive**, laid out how the **company was navigating a tricky transition from social networking** toward the so-called **virtual world of the metaverse**.

On Thursday, a **company spokesman** reiterated statements **from its earnings** announcement and **declined to comment further**.

The profit declined 8% to \$10.29 billion in the **final three months of 2021.**

Revenue rose to 20% to **\$33.67 billion.**

Also its revenue forecast of \$27 billion to \$29 billion for the first quarter fell below analyst expectations of \$30.15 billion.

USER GROWTH DECLINE

Even though the company on Wednesday **recorded modest gains in new users across its so-called family of apps** — which includes **Instagram, Messenger and WhatsApp** —

Its core Facebook social networking app **lost about half a million users over the fourth quarter** from the previous quarter.

That's the first such decline for the company **in its 18-year history**, during which time it had **practically been defined by its ability to bring in more new users.**

The dip signaled that the core app may have **reached its peak.**

Meta's quarterly user growth rate was also the slowest it has been **in at least three years.**

Meta's executives have pointed to **other growth opportunities**, like turning on the money faucet at WhatsApp, the messaging service that **has yet to generate substantial revenue.**

CHALLENGE FROM APPLE

Last spring, Apple introduced an “App Tracking Transparency” update **to its mobile operating system,**

Essentially giving iPhone owners the choice as to whether they would let apps like Facebook **monitor their online activities.**

Those privacy moves have now hurt Meta’s business and are **likely to continue doing so.**

Now that Facebook and other apps must explicitly ask people for permission to track **their behavior**, many users have opted out.

That means less user data for Facebook, which makes targeting ads — one of the company's main ways of making money — more difficult.

Doubly painful is that iPhone users are a far more lucrative market to Facebook's advertisers than, say, Android app users.

People who use iPhones to access the internet typically spend more money on products and apps served up to them from mobile ads.

Meta said on Wednesday that **Apple's changes would cost it \$10 billion in revenue over the next year.**

The **company has railed against Apple's shifts** and said they are **bad for small businesses** that rely on advertising on the social network to reach customers.

But Apple is unlikely to reverse its privacy changes and Meta's shareholders know it.

GOOGLE BENEFITING FROM THIS

Meta's troubles have been its **competitors' good fortune.**

On Wednesday, David Wehner, Meta's chief financial officer, noted that **as Apple's changes have given advertisers less visibility into user behaviors,**

Many have started shifting their ad budgets to other platforms. Namely Google.

TIKTOK & REELS

The **Chinese-backed app** has grown to more than a billion **users** on the back of its highly shareable and strangely **addictive short video posts.**

And it is **fiercely competing with Meta's Instagram** for **eyeballs and attention.**

Meta has cloned TikTok with a video product feature called Instagram Reels.

The problem is that **while Reels may be attracting users, it doesn't make money as effectively as Instagram's other features, like Stories and the main feed.**

That's because it's slower to make money off video ads, since people tend to skip past them.

That means the more that Instagram pushes people toward using Reels, the less money it may make on those users.

METaverse BET

Mr. **Zuckerberg believes so much** that the internet's next generation is **the metaverse —**

A **still fuzzy and theoretical concept** that involves people moving across different virtual- and augmented-reality worlds — that he **is willing to spend big on it.**

So big that the **spending amounted to more than \$10 billion last year.**
Mr. Zuckerberg **expects to spend even more in the future.**

Yet there is no evidence the bet will pay off.

Q. Which Indian company recently became the 2nd most valuable IT brand in the world?

A) Infosys

B) HCL

C) TCS

D) Wipro



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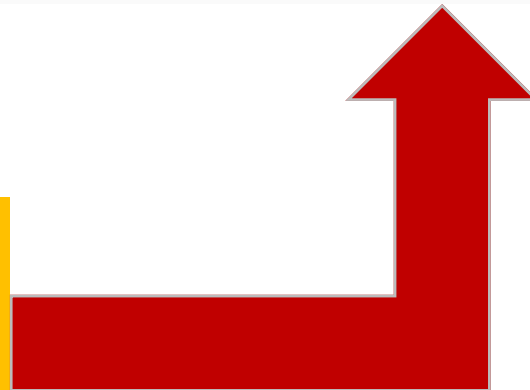
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