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AFTER THE CAMBRIDGE ANALYTICA SCANDAL

A dire week for Facebook on the stock exchange. Analysts say “buy”

By Enrico Marro 28 March 2018

After another slide yesterday (-4.9%), Facebook’s shares are set to close their worst month on the stock exchange in nearly five years. Swept up in the Cambridge Analytica scandal, in barely eight days of trading the company’s shares have lost almost a quarter of their value (-22%), shedding over 100 billion dollars worth of capitalisation. What next? What will happen to the shares in the coming weeks? Is this the time to buy Facebook shares at rock bottom prices or to stay clear? International financial analysts are clear: buy. Hands down.

Nine out of ten analysts still advise buying Facebook, according to FactSet data based on a panel of a good 45 professionals specialising in the stock of the most famous social media company in the world. They believe it’s a better investment than Apple, Microsoft or Google (Alphabet). What about the Cambridge Analytica scandal? What about the wave of collective indignation and the rush of VIPs like Elon Musk closing their accounts? The Antitrust investigation? Tighter regulations? Potential sanctions? Zuckerberg testifying before Congress? None of all that: in the world’s leading investment banks all the major players have tuned their instruments in a symphony of “buy”, “overweight”, “outperform” and “buy the dip”.

In the long term nothing dramatic will happen to the Menlo Park giant, say the experts, or at least nothing more terrible than market excesses have already priced. As Ken Sena of Wells Fargo explains, there will certainly be sanctions, but there is no likelihood of a scenario where the legal or business impact tops 100 billion dollars (the hit taken by Facebook’s stock). Facebook, after all, is a social media giant with 2 billion members and closed the last quarter with operating profits up 61% to 7.35 billion dollars.

“**We think Facebook is a good purchase** over a medium-to-long horizon”, explains Angelo Meda, equity manager at Banor Sim, in an interview with *Il Sole 24 Ore*. “The stock has good prospects; just think of the unstoppable growth of sdvertising on social media and digital media in general – the trend shows no sign of halting”. In general, there’s always an issue that catalyses the fears of the markets, continues Meda. In January it was the nuclear conflict in North Korea, in February fears that the Fed would raise interest rates, at the beginning of March the possibility of a trade war, and now it's Facebook. "But the markets have a short memory and they'll soon start rewarding the company's growth again", concludes Banor Sim's equity manager.

Never mind the Cambridge Analytica scandal. Facebook's target price hits the stratospheric level of over $220, according to all the financial analysts specialising in Zuckerberg's company. That's a good 45% over current prices: the best investment of all the US digital giants, which have been dragged down by sales on Californian social media and have suddenly become a bargain.

In fact, if we calculate the difference between the current price and the target price that gains the consensus of analysts, apart from Facebook, which leads the pack (+45%), the outlook is also excellent for Google (+27.6%), Microsoft (+17%), Apple (+14.1%) and Amazon (+13.6%). The only companies apparently destined to lose out are Twitter (-0.9%), Snap (-4.5%) and Netflix (-7.4%). In a few months we'll be able to see whether or not the investment banks were right.