Facebook is looking to go public between April and June 2012, with a possible filing by the end of this year. WSJ's Geoffrey Fowler discusses the latest details on the much anticipated IPO with Stacey Delo. (Photo: Getty Images)

Facebook Targets Huge IPO
Offering Next Year Could Raise $10 Billion, Valuing Company at $100 Billion
By SHAYNDI RAICE

Facebook Inc. is inching closer to an initial public offering that it hopes will value the company at more than $100 billion, according to people familiar with the matter.

The social networking firm is now targeting a time frame of April to June 2012 for an initial public offering, said people familiar with the matter. The company is exploring raising $10 billion in its IPO—what would be one of the largest offerings ever—in a deal that might assign Facebook a $100 billion valuation, a number greater than twice that of such stalwarts as Hewlett-Packard Co. and 3M Co.

A Facebook IPO has been hotly anticipated for several years, and viewed as a defining moment for the latest Web investing boom. The company has been vague about whether it would even make such an offering and silent on timing of an IPO. "We're not going to participate in speculation about an IPO," said Facebook spokesman Larry Yu.

The company now appears poised to go ahead with a deal. But it will likely come to market at a time when investors are beginning to question the value of some newer Internet businesses.

The most recent IPO, an $805 million float of discount-deal service Groupon Inc. on Nov. 3, has plummeted 42% in price in the past five trading days after surging in its first day of trading. Business-networking service LinkedIn Corp., whose stock more than doubled from its IPO price on its first day of trading May 19, has since fallen 36%, but remains 33% above its IPO.

Facebook Chief Executive Mark Zuckerberg has in the past publicly expressed reluctance to do an IPO. And he has opted to keep Facebook private longer than many suspected he would. But he is warming to the idea. Facebook is now in internal discussions over the timing of its filing with the Securities and Exchange Commission, and is considering filing dates as early as this year, said these people. Mr. Zuckerberg hasn't made any final decisions, these people cautioned.

Facebook remains aloof from Wall Street and shows signs of wanting to play by its own rules.

Companies often explore an IPO once they have $100 million in revenue. Facebook is expected to debut with more than $4 billion in revenue, making it bigger than Web veteran Yahoo Inc.
CEO Mark Zuckerberg is said to be warming to the idea of an IPO.

IPO: Go, No-Go?

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Facebook Chief Financial Officer David Ebersman has been leading the company’s talks with Silicon Valley bankers about an IPO, said people familiar with the matter.

Bankers are aggressively pursuing the company, but Facebook remains elusive about a commitment to specific banks, even though an IPO looms. Mr. Ebersman told some bankers that he is skeptical over what contribution investment banks could make to a Facebook IPO, since the company is so highly sought after by major investors, said people familiar with the matter.

The social network, which was started by Mr. Zuckerberg in 2004 out of his Harvard University dorm room, has led the way in reshaping how people share information and interact with others on the Web. It now counts 800 million users, with 500 million users logging into the site daily.

Facebook will be required to make its financial information public by April, because the company will cross the 500-shareholder limit by the end of this year. The SEC requires companies with more than 500 shareholders to publicly disclose its financial information.

Facebook could publish its financial information come April without an IPO, but board members and top executives have privately acknowledged that it would leave the company at a severe disadvantage, since they would have most of the liability that comes with being a public company, but lose out on the fundraising benefits of a public offering, said these people.

Only 13 IPOs have ever been completed with a value greater than $10 billion, and just three of those have been for U.S. companies, according to Dealogic, which tracks new securities issues. The only U.S. issuers at that size level have been Visa Inc. at $19.7 billion in 2008; General Motors Co. at $18.1 billion in 2010; and AT&T Wireless Services Inc. at $10.6 billion in 2000.

The most valuable company ever to go public was Industrial & Commercial Bank of China, which sold $21.9 billion of stock in October 2006 and finished its first day of trading with a market value of $148 billion, Dealogic said.

A Facebook offering of $10 billion would be the largest IPO by any technology or Internet company. The largest U.S. Internet IPO, the $1.9 billion sale in 2004 by Google Inc. which valued Google at $23 billion, ranks No. 3 among global Internet IPOs.
Facebook's revenue is driven by its online advertising business, as big brands rush to the site to interact with consumers through display ads and fan pages. Facebook's world-wide ad revenue is expected to hit $3.8 billion this year, up from $1.86 billion a year earlier, according to data compiled by eMarketer. Facebook's share of display ad revenue in the US is expected to grow to 16.3% in 2011 and 19.5% in 2012, eMarketer found.

—Randall Smith contributed to this article.

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