

Facebook's Got Mobile Strength

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Facebook (FB) beat **Wall Street** revenue estimates in its first quarter, and the company's future lies in the hands and laps of its mobile users.

As Chief Financial Officer David Ebersman told *TheStreet* [earlier this year](#), Facebook is now a mobile company. About 30% of total advertising revenue came from mobile, and beat Wall Street expectations for mobile revenue, at \$374 million.

For the full quarter, Facebook earned 12 cents a share on revenue of \$1.46 billion, an increase of 38% year over year. The Menlo Park, Calif.-based company was expected to earn 13 cents on a non-GAAP basis, with revenue coming in at \$1.44 billion, according to analysts surveyed by *Thomson Reuters*.

Of Facebook's 1.1 billion total daily active users (DAUs), 751 million of them are mobile monthly active users (MAUs). CEO [Mark Zuckerberg](#) has said in the past, and again on the conference call, that users check their smartphones 100 times a day, and Facebook is the top app for most smartphones and that's where Facebook Home comes in.

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“So with Home, you can see fresh news and content from people and topics you care about every time you turn on your screen,” Zuckerberg said on the call. “It really brings your phone to life and provides with a completely new experience.”

Shares of Facebook were higher in premarket trading, up 2.37% to \$28.08.

As mobile continues to become a bigger part of the company, revenue from this segment is only expected to rise.

“For Q2 2013, we are expecting mobile ad revenues of \$448mm (32.5% of advertising revenues), representing 20% growth QoQ, and \$931mm of desktop advertising revenues, representing a 1.6% decline YoY,” said **UBS** analyst Eric Sheridan. He rates shares “neutral,” and raised his price target to \$28 from \$26 following the results.

One area of strength is mobile apps, which Zuckerberg highlighted on the call. Traditional app stores from **Apple** ([AAPL](#)) and **Google** ([GOOG](#)) have been dominant platforms for developers, but Facebook's platform is starting to show real traction, as it continues to sell mobile apps, making money through mobile app install ads, and the recent acquisition of Parse could make this an even bigger opportunity. "Both of these products [Parse and the app store] make it easier for developers to create and grow their apps and this could be the start of something much bigger."

One concern that Wall Street has is the company's spending plans. Overall spending in the quarter rose 60% from last year to \$1.08 billion, but the company is aggressively investing in its future. Products including Graph Search, Home and others cost time and money, and those should help fuel further growth.

"We remain bullish on several new ad products, and note engagement and user trends were at highest levels ever, addressing a chief concern," Jefferies noted in a research report. The investment bank raised its price target to \$31 from \$30 on the social networking giant.

If there ever was a doubt about Facebook and its ability to make significant money from mobile, those qualms should continue to ease.

"This was a quarter that cemented the bull thesis, though not strong enough to shake the bears," **Sterne Agee** analyst Arvind Bhatia penned in a note. He rates shares "buy" with a \$37 price target.

Facebook's future is in its mobile offerings. The company is now delivering on its promise to make mobile revenue the driver of the company in both the present as well as the future. Mobile is not just a strategy at Facebook now, it's THE strategy, and that's something investors can "like."

–Written by Chris Ciaccia at TheStreet